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**EXTENSION OF THE DEFENSE PRODUCTION
ACT OF 1950**

P87-30

89-2

HEARING

BEFORE THE

**COMMITTEE ON BANKING AND CURRENCY
HOUSE OF REPRESENTATIVES**

EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 14025

**A BILL TO EXTEND THE DEFENSE PRODUCTION
ACT OF 1950, AND FOR OTHER PURPOSES**

MARCH 29, 1966

Printed for the use of the Committee on Banking and Currency



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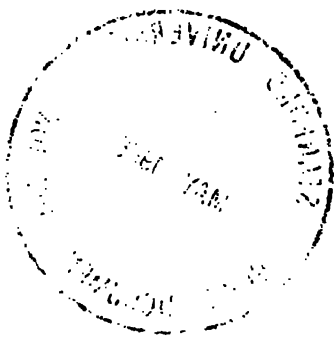
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II



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EXTENSION OF THE DEFENSE PRODUCTION ACT OF 1950

TUESDAY, MARCH 29, 1966

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. Wright Patman (chairman) presiding.

Present: Representatives Patman, Multer, Barrett, Mrs. Sullivan, Reuss, Moorhead, Gonzalez, Minish, Weltner, Grabowski, White, Ottinger, McGrath, Hansen, Annunzio, Rees, Widnall, Fino, Mrs. Dwyer, Halpern, Brock, Talcott, Clawson, Johnson, Stanton, and Mize.

The CHAIRMAN. The committee will please come to order.

The committee is meeting today for the purpose of considering H.R. 14025, to extend existing authorities under the Defense Production Act of 1950 from June 30, 1966, to June 30, 1970.

(H.R. 14025 follows:)

[H.R. 14025, 89th Cong., 2d sess.]

A BILL To extend the Defense Production Act of 1950, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 717(a) of the Defense Production Act of 1950 is amended by striking out "June 30, 1966" in the first sentence and inserting in lieu thereof "June 30, 1970".

SEC. 2. Section 712(e) of the Defense Production Act of 1950 is amended to read as follows:

"(e) The expenses of the committee under this section shall be paid from the contingent fund of the House of Representatives upon vouchers signed by the chairman or vice chairman."

The CHAIRMAN. First of all I want to welcome Gov. Farris Bryant, who has just been sworn in as the new Director of the Office of Emergency Planning.

The Defense Production Act was first enacted into law by the Congress in 1950, during the Korean conflict. The act originally provided for an extensive system of economic controls intended (1) to promote adequate supplies and facilities for defense production and, (2) to prevent inflation of the economy under the pressures of the greatly expanded military procurement effort.

Several of the major authorities under the original Defense Production Act of 1950 were allowed to expire around the time the Korean conflict was coming to an end. These included Title II: Authority To Requisition and Condemn; Title IV: Price and Wage Stabilization; Title V, Settlement of Labor Disputes; Title VI: Control of Consumer and Real Estate Credit.

The authorities under the act as it now exists provide for the operation of a system of priorities and allocations which enables the Defense Department, the Atomic Energy Commission, and the National Aeronautics and Space Administration to secure the timely manufacture and production of items necessary to the security of the United States.

Another provision of the existing act provides for the expansion of production capacity and supply through Government loans, loan guarantees and other financial assistance to industries active in the field of defense production.

A third major authority provided for in this act is the operation and continuance of the defense production inventory, a stockpile of materials and resources for use in possible national emergencies.

A fourth program authorized under this act is the executive reserve program. This program recruits and trains for possible use in a national emergency men expert in various parts of industry, labor, economics, and other important fields.

These are all programs now operating under the Defense Production Act. I think they are important programs, essential to the national security. For this reason alone, especially with the present situation existing in Vietnam, I feel that the renewal of this act should be carried out with some dispatch.

At the same time, I think the Congress owes it to the American people to look carefully at the existing program to see if there are any weaknesses in it, to point out what they are, and to entertain recommendations for the program's modification.

This act has been in existence over 16 years, and, as we all know, many changes have occurred during that time. These include significant changes in the strategic position of the United States and that of its potential enemies, changes in the sources of supply of natural resources vital to our national security, the development of substitute materials for scarce natural resources, changes in the demand for certain materials as new weapons systems and products have been developed, tremendous growth in the productive capacity of our economy—our gross national product has more than doubled since 1950—changes in the geographic distribution of productive facilities in the Nation with the movement of plants and the development of new industries in different sections of the country; and other major economic, military, and technological developments.

The Nation has also recently been made vividly aware of its vulnerability, both in economic and personal terms, to the failure of essential systems such as electric power, communications, and transportation.

Of course, I refer to the great Northeast power failure of last November, when millions of people and thousands of businesses were left helpless and idle because of a relatively small breakdown in the electric power system. And, of course, the New York subway strike in January of this year illustrated how heavily our complex modern society relies on mass transportation in order to function properly.

What we may have learned from these and other incidents I think is that, perhaps, we have in the past concentrated too much and too long in this area of defense production on the tangible resources and materials which we must have in order to produce the items necessary for our national security. We should now look at the need for

insuring that power, transportation and communications systems are adequate to produce and deliver the items needed in a national emergency. The stockpiles are virtually useless without the capacity to make finished products out of material at hand and an adequate means of transporting the finished items to where they are required.

We should also not overlook the fact that there have even been significant changes in the organization of government which affected programs dealing with defense production.

In summary, I personally feel that we should renew the authorities existing under the Defense Production Act, but at the same time the Joint Committee on Defense Production, the Office of Emergency Planning, and other interested executive agencies should carefully review the act and submit to the appropriate committees of Congress proposals for revising and updating this and other related legislation in the area of defense production. This would allow us to deal more effectively with the problems of today and tomorrow, which are significantly different from the problems of yesterday.

Governor Bryant, we are glad to have you, sir, and you may proceed in your own way.

I understand you have a prepared statement.

Mr. BRYANT. Thank you, Mr. Chairman.

The CHAIRMAN. For the record, will you please identify the gentlemen accompanying you?

STATEMENT OF FARRIS BRYANT, DIRECTOR, OFFICE OF EMERGENCY PLANNING; ACCOMPANIED BY G. LYLE BELSLEY, DIRECTOR, ECONOMIC AFFAIRS OFFICE; M. M. MERKER, LEGAL ADVISER, AND ERNEST CROOKS, INDUSTRIAL SPECIALIST, OFFICE OF EMERGENCY PLANNING; AND A. A. BERTSCH, ASSISTANT ADMINISTRATOR, INDUSTRIAL MOBILIZATION, BUSINESS AND DEFENSE SERVICES ADMINISTRATION, DEPARTMENT OF COMMERCE

MR. BRYANT. Mr. Chairman and members of the committee, I am happy to have this opportunity to discuss with you H.R. 14025, a bill which would extend the termination date of the Defense Production Act of 1950, as amended, for 4 years to June 30, 1970. I have with me Mr. G. Lyle Belsley, Director of our Economic Affairs Office, Mr. M. M. Merker, our legal adviser, and Mr. Ernest Crooks, industrial specialist. I also have asked Mr. Louis Brooks of the General Services Administration, who is familiar with the details of the financial aspects of the act, and Mr. A. A. Bertsch, Assistant Administrator, Industrial Mobilization, Business and Defense Services Administration, Department of Commerce, who is thoroughly familiar with the priorities and allocations aspects of the act, to be present.

These gentlemen will assist in responding to any questions you may have regarding my statement. You have very succinctly and comprehensively reviewed much of the history of the act. But, for completeness, some of it I will repeat.

The Defense Production Act has supported and facilitated the defense program in many ways since it became law on September 8,

1950. As originally enacted it was the authority for virtually all economic mobilization measures taken during the Korean hostilities. Provisions for price and wage controls and related credit controls, among others, were allowed to lapse in 1953 when inflationary pressures subsided. The authority to require that production for the national defense be given preference over other business, as well as the authority to guarantee loans and enter into voluntary agreements, has continued to be used during the subsequent years of cold war and extraordinary military expenditures. It is now being used to an increasing extent to meet problems arising as a result of hostilities in southeast Asia, and will be used to an even greater extent if the impact of those hostilities becomes greater.

These continuing essential national defense programs are provided for under three remaining operative titles of the act; namely, title I, title III, and title VII. I would like to describe briefly at this time the current use of each of these authorities.

The priorities and allocations authority of title I is used to assure that materials and equipment are available at the time and place where they are needed to meet military and other essential production requirements, and to assure that defense orders take priority over all other orders. It is used to assure that essential production orders including the intensive research and development activities of the Department of Defense, the Atomic Energy Commission, and the National Aeronautics and Space Administration are filled promptly.

Priorities assistance for the Nation's defense program is carried out under the defense materials system regulations issued by the Department of Commerce. They operate by aiding in the placement of contracts and assuring prompt deliveries of military materials to defense contractors and their suppliers and subcontractors. They also require producers of basic forms of steel, copper, aluminum, and nickel alloys to "set aside" certain percentages of their production for defense-rated orders. These set-asides assure that no individual producer will be required to accept an excessive proportion of defense-rated orders for particular materials at the expense of regular civilian business.

The existence of the defense materials system is of immeasurable value to the national security because it provides, on a going-concern basis, the operational setup that would have to be in existence in the event there is an expansion of the present emergency. One of the more important things that is inherent in the system is the mechanism for collecting and evaluating defense requirements data in cooperation with the Department of Defense, the Atomic Energy Commission, and the National Aeronautics and Space Administration. This function is the backbone of the activity of controlling the flow of materials in an emergency. The defense materials system can be progressively enlarged with minimum effort and time to provide for the control of materials needed to meet even greater war requirements than we are faced with today. During the Korean period it took more than a year to establish an operating system.

The authorities under title III of the act also serve both current defense needs and preparedness measures.

Section 301 provides for loan guarantees to defense contractors who need working capital or equipment for new defense production.

Section 302 and section 303 provide lending and procurement authorities which in the past were highly instrumental in bringing about large-scale expansion of productive capacity required for defense. In the last several years no new defense expansions have been financed under these authorities, and they have been in a standby status. However, they continue to be essential to the security of the country to meet unanticipated defense demands that might arise. The authorities provide the President with a flexible tool whereby he can take immediate action if the circumstances so require.

It is contemplated that these authorities will be used to help meet expanding copper requirements which have been accentuated by the pressures of the Vietnam situation. On March 21, 1966, the President authorized the release of 200,000 tons of copper from the national stockpile. He has also concluded that a program for encouraging additional domestic copper production to meet these increasing requirements through new purchases or commitments to purchase under section 303 of the act should be undertaken on behalf of the national security.

While some increased production capacity is now contemplated or already underway by some domestic copper producers, it is believed necessary to accelerate the development of new and additional copper production. Accordingly, the Office of Emergency Planning, under the President's finding, intends to authorize the General Services Administration, under provisions of title III, to enter into negotiations with domestic copper producers to purchase or make commitments to purchase copper in order to bring into being additional copper production as soon as possible. Contracts entered into under this authority will be within the limitations on the use of the borrowing authority included in section 304(b) of the act.

In view of the fact that national security interests require that the expansion of domestic copper production and supply be accomplished at the earliest possible time, priority attention will be given to those cases where additional copper production can be brought into being within a relatively short time.

Title VII of the act includes a number of supplementary authorities necessary to the exercise of those authorities granted in the preceding titles, but it also includes two specific authorizations of importance to the mobilization preparedness program.

The voluntary agreements provisions of section 708 provide immunity from the antitrust laws to private parties voluntarily participating in actions found to be in the public interest as contributing to the national defense. There are presently outstanding 18 agreements of which 12 are in a standby status. These agreements are sponsored by various agencies of Government, principally the Department of Defense.

The greater number deal with "integration committees" which consist of current and prospective contractors of the Department of Defense who meet to exchange and pool information, techniques, and processes. Their objective is to speed the development and provision of systems whereby more efficient and uniform military items can be produced in the shortest time. They are of value both to current production and for rapid expansion of military production.

The need for new committees by the Department of Defense arises as new military production problems develop. The voluntary

agreements powers under section 708 are very valuable not only in expediting production, but in achieving the maximum results from the expenditures of defense dollars.

Other agreements sponsored by Interior, the Maritime Commission, and the U.S. Information Agency also serve important defense purposes.

Another authority that would be continued by extension of the act is that of the Joint Committee on Defense Production. This committee has served the valuable function of keeping the Congress and the public informed of all activities carried out under the Defense Production Act and other related programs.

The other special authority in title VII is found in section 710(e). It authorizes the creation of a reserve of persons from private life or Government service capable of filling executive positions in the Federal Government, in time of mobilization. Pursuant to the procedure established by Executive Order 11179, dated September 22, 1964, 9 departments and agencies having emergency mobilization responsibilities have 38 units of the Executive Reserve with an enrollment of approximately 3,600 members. It is anticipated that by the end of fiscal year 1966, 4,000 reservists will be enrolled in the programs and by the end of fiscal year 1967 the total strength of the Executive Reserve will be 5,000 members. Eighty percent of the membership of the Executive Reserve represents a cross section of industry. The other 20 percent of the reserve is made up of educators, lawyers, doctors, labor leaders, and permanent Government employees.

Under this program each Federal department and agency having major mobilization assignments determines the number of executives it will need to fill key positions and it prescribes training and orientation programs for its members. OEP evaluates each unit of the program and coordinates the activities of the units. Candidates for membership in the Executive Reserve are submitted to the Director of OEP for approval; if approved, the candidate can be designated for a term not to exceed 3 years.

The reservists participate in training programs on a national and regional basis and are given orientation and training on activities they would need to perform under emergency conditions. Since June 17, 1965, three national or regional conferences involving 1,500 executive reservists have been held. Besides these joint training conferences of all agencies with units of the reserve, numerous training conferences were conducted by the departments and agencies with components of the reserve.

Initially the reserve was based on the assumption, that as in World War II and Korea, Federal direction in an emergency would be carried out largely by agencies in Washington. Since the early 1960's greater emphasis in the program has been given to training executives to undertake regional and field assignments. Lately, both regional and national assignments in Washington have been stressed at training conferences.

The Executive Reserve, as the chairman indicated, is one of the most important elements in our efforts to develop programs which would make us capable of functioning efficiently in the event of an emergency. It will assure us of a number of trained executives who can immediately go into action and perform the functions that would be required by

the Federal Government in either a nuclear-attack type of emergency or a stepped-up limited war.

Because of the continuing importance of all of these authorities to our current military effort and mobilization preparedness, we strongly urge approval of H.R. 14025 which will extend the effective date of the Defense Production Act, as amended, for 4 years to June 30, 1970. We hope it will be acted on favorably by this committee and the Congress.

The CHAIRMAN. Thank you, Governor Bryant.

I have a number of questions that I shall not ask you but I will deliver them to you and ask you to put the answers in the transcript when you look over your transcript, if you please.

Will that be satisfactory?

Mr. BRYANT. I will be glad to handle it that way.

(The submitted questions and answers follow:)

RESPONSES TO WRITTEN QUESTIONS SUBMITTED TO THE OFFICE OF EMERGENCY PLANNING BY HON. WRIGHT PATMAN, CHAIRMAN, BANKING AND CURRENCY COMMITTEE

Do you think that there is a need for reviewing the present authorities under the Defense Production Act of 1950 and other related acts in the light of new developments, such as the ones I have outlined, with a thought that perhaps by the time that the administration appears before Congress again in the next session of Congress seeking renewal of the Defense Production Act authorities, concrete proposals for extensive revisions in the law, or perhaps even a new act replacing the present act, may be in order?

Answer. The Office of Emergency Planning does not believe there is a need for a major revision of the present Defense Production Act at this time.

Section 303 of the Defense Production Act provides authority for the maintenance of the Defense Production Act inventory or stockpile.

Are there any current purchases of stockpile materials under this provision of the act?

Answer. There are no active contracts to purchase strategic and critical materials under the Defense Production Act.

Under section 303(b) of the Defense Production Act, the President may make commitments to purchase materials for delivery up to June 30, 1975.

Are there any commitments under section 303(b) still in effect to purchase materials in the future?

Answer. All purchase contracts made under section 303(b) during the Korean war period have been completed or terminated. There are no commitments for future deliveries on these contracts.

Under present arrangements who manages the stockpile operation, the General Services Administration (GSA)?

Answer. The Director of the Office of Emergency Planning determines stockpile policies and programs and is responsible for performing those stockpile functions that have been delegated to him by the President in Executive Order 10480 and in sections 401, 402, and 403 of Executive Order 11051. You may be particularly interested in section 402(b) of Executive Order 11051 which provides that:

"(b) The Director, under the provisions of the said Strategic and Critical Materials Stockpiling Act, shall determine which materials are strategic and critical and the quality and quantity of such materials which shall be stockpiled, and shall direct the General Services Administration in the purchase, storage, refinement, rotation, and disposal of materials."

This section also describes the general administrative and ministerial functions performed by the General Services Administration.

What is the function of the Office of Emergency Planning as far as the Defense Production stockpile is concerned?

Answer. The responsibilities of the Office of Emergency Planning with respect to the Defense Production Act inventory are similar to those responsibilities included in the answer to the previous question.

Have there been any cases since the passage of the Defense Production Act in 1950 whereby a particular mineral or material was eliminated from the Defense Production Stockpile completely, either by transfer to the national stockpile or by sale or by otherwise disposing of the material?

Answer. Seven items have been eliminated from the DPA inventories by sales to the national stockpile or under the "Government use or resale" provisions of the Defense Production Act. They are: asbestos, crocidolite; bismuth; lead; mercury; platinum grade palladium; tin; and graphite, lubricating.

How many different items are there in the Defense Production stockpile at the present time?

Answer. There were 22 materials in the DPA inventory on December 31, 1965. They were:

1. Aluminum.
2. Asbestos, chrysotile.
3. Bauxite, metallurgical grade, Jamaica.
4. Beryl.
5. Chromite, metallurgical grade.
6. Cobalt.
7. Columbium.
8. Copper, other.
9. Cryolite.
10. Fluorspar, acid grade.
11. Manganese, battery grade, synthetic dioxide.
12. Manganese ore, metallurgical grade.
13. Manganese metal, electrolytic.
14. Mica, muscovite block, stained and better.
15. Mica, muscovite film, first and second qualities.
16. Nickel.
17. Rare earths residue.
18. Rutile.
19. Tantalum.
20. Thorium residue.
21. Titanium sponge.
22. Tungsten.

At present there are four different stockpiles now in existence. Do you think that serious consideration should be given to consolidating these stockpiles for more efficient operation?

Answer. At the last session of Congress the administration supported most provisions of S. 28, a bill which would have consolidated all stockpiles into a national stockpile to meet stockpile objectives and a materials reserve inventory which would have contained all materials surplus to stockpile objectives.

The bill was passed by the Senate, and hearings were held on it by the House Armed Services Committee. It has not been reported.

Why do we need four different stockpiles?

Answer. There seems to be no need for four different stockpiles. There is need, however, for the continuance of titles I, III, and VII authorities included in the Defense Production Act of 1950, as amended, and of the flexible sales provisions of section 303.

There is now little or no procurement of stockpile materials. In fact, there is considerable disposal of surplus materials being carried out and will be continued to be carried out.

Does the OEP or any other agency have an overall plan with dates and quantities for disposal which will give us some idea of when the phasing out of surplus materials in the stockpile will be completed?

Answer. The present policy is to dispose of excess stockpile materials, and substantial disposals have been made in accordance with it. There is no overall plan to complete disposals within a fixed period because the terminal dates of the disposal of many materials are dependent on market conditions. Section 3n of Defense Mobilization Order 8600.1 (issued March 30, 1964) on "General Policies for Strategic and Critical Materials Stockpiling" provides in part that disposals shall be made whenever possible under the following conditions:

"(a) Avoidance of serious disruption of the usual markets of producers, processors and consumers, (b) avoidance of adverse effects on the international interests of the United States, (c) due regard to the protection of the United States against avoidable loss, (d) avoidance of adverse effects upon domestic employment and labor disputes. * * *"

Recent reports have indicated that a serious shortage of copper is developing in this country. Just last week the President ordered 200,000 tons of copper released from the national stockpile to provide adequate supplies to domestic users. Some of this will be used for production of essential items needed by the military for our soldiers in Vietnam.

There are also reports that, although the quoted price of copper is 36 cents per pound, some parties are paying as much as 70 to 75 cents a pound?

A year ago, on March 31, 1965, the national stockpile contained approximately 1 million tons of copper. Is that correct?

Answer. On March 31, 1965, there were 1,074,900 short tons of copper in the national and supplemental stockpiles and the Defense Production Act inventory.

Since that time, copper has been released, or announcements made for the release, in the amount of 610,000 tons, well over half of the national stockpile supply at the end of March 1965.

After this most recent release, it is my understanding that the national stockpile will contain only about 396,000 tons of copper, is that correct?

Answer. After the most recent (March 21, 1966) release of 200,000 short tons of copper from the national stockpile, there will remain approximately 409,000 short tons of copper in Government inventories. Nearly all of this is in the national stockpile with a negligible amount in the DPA inventory, and a very small quantity in the supplemental stockpile.

Now, OEP has established a stockpile objective, which is a determination of the needs of raw materials for carrying on a 3-year war.

As I understand it, the stockpile objective for copper is approximately 775,000 tons, is that correct?

Answer. The current conventional war stockpile objective for copper is 775,000 short tons.

Therefore, after this recent release, there will be a shortage under the stockpile objective of approximately 379,000 tons, is that correct?

Answer. The copper inventory will be about 366,000 below the present conventional war stockpile objective.

How does the administration propose to make up for this very large deficit of copper in the stockpile?

Answer. The President directed, in connection with the copper disposals under the recent release, that sales provisions should give the Government an option to repurchase copper at the current market price of 36 cents, or at the domestic market price if it is less than 36 cents, at the time the Government option is exercised. In addition, the option agreement was to give the Government the right to call for immediate delivery in the event of an emergency.

What alternatives are you considering to make up this dangerous deficit?

Answer. In addition to the option provisions planned as a part of copper disposals (as described in the answer to the previous question), an effort will be made to encourage additional production of copper in the United States, its territories, possessions, and the Commonwealth of Puerto Rico. In recognition of the current high level of industrial consumption of copper, accentuated by the pressures of the Vietnam situation, and of the need for additional copper production, the President (on March 29, 1966) issued a finding—pursuant to section 304(b) of the Defense Production Act of 1950, as amended—that a program for encouraging such additional production through new purchases or commitments to purchase under section 303 of that act is essential to the national security. Under that finding, and the authorization accompanying it, plans are now being developed to carry out such a program.

Are you considering requesting Congress to increase the Defense Production Act borrowing authority to provide funds to pay premium prices for copper in order to increase the production of copper in this country?

Answer. There is no present intention of making such a request. If experience indicates that present statutory limitations are unduly restrictive, further consideration will be given to this matter.

Under section 304(b) of the Defense Production Act, as amended, in 1964 “* * * the total of * * * new purchases and commitments, including contingent liabilities made or incurred under section 303 after June 30, 1964, shall not exceed \$100 million.”

Do you think that this authority to purchase up to \$100 million is adequate to replenish the stockpile of copper?

Answer. It is estimated that the \$100 million of borrowing authority will be adequate to encourage the additional production of from 110,000 to 120,000 short tons of copper, depending on the conditions of purchase.

In order to be effective in stimulating the production of copper you would have to pay a premium above the 36 cents a pound market price, is that correct?

Answer. We cannot answer this question until we have discussed the program with copper producers. It is assumed that some of the contracts may have to be made at prices higher than 36 cents a pound.

If you paid 50 cents a pound that would mean that you would be paying \$1,000 a ton.

So for \$100 million you can only buy 100,000 tons of copper, is that correct?

Answer. At 50 cents per pound, we would be able to contract for delivery to the Government of only 100,000 short tons of copper.

You would then still be about 279,000 tons short, is that correct?

Answer. Assuming the delivery of 100,000 short tons to the national stockpile, the inventory would be 266,000 short tons below the present stockpile objective.

Therefore, there is a possibility that you will need additional borrowing authority in order to make up for the heavy deficit in copper?

Answer. It is premature to conclude at this time that additional borrowing authority will be needed.

As I understand it, the Office of Emergency Planning determined that the stockpile objective for copper is approximately 775,000 tons. And yet, the Government has released, or has announced a release, over the last year of 610,000 tons. This raises the question in my mind as to the soundness of the methods used in determining that 775,000 tons of copper was the amount needed for a 3-year emergency. In other words, if we have had to use 610,000 tons in a period of a year, how can 775,000 tons be sufficient for a 3-year emergency period?

Answer. The objective is soundly based. It should be emphasized, however, that the estimates of mobilization requirements assume the imposition of priority and allocation controls, and the strict use of conservation and limitation orders which would restrict the use of copper in the production of many nonessential items. The releases of 610,000 tons were considered necessary for the common defense, to provide copper to the mint for the new coinage program, and to meet hardship cases. The high level of industrial consumption of copper accentuated by the Vietnam situation and the loss of copper production because of domestic and foreign strikes have contributed to the present situation in the copper market.

Title I of the Defense Production Act provides means by which priorities of materials which are essential to the national defense can, where necessary, through a system of priorities and allocations be channeled to that use ahead of nondefense uses.

Section 101(b) allows the President to control the distribution of a material if he finds that such material is a scarce or critical material essential to the national defense and that the requirements of the national defense for such material cannot otherwise be met.

Has the authority under this section of the Defense Production Act been used in connection with the war in Vietnam?

Answer. The authority of section 101(b) has not been used in connection with the war in Vietnam. The priority authority contained in section 101(a), however, has been in effect since the Korean war in order to meet defense-rated orders. In addition, the authority of section 101 has been used to establish set-asides by materials suppliers to provide an equitable distribution of defense-rated orders, and to issue directives in support of defense procurement.

Is there any thought that it might become necessary to use this authority in connection with the Vietnam conflict?

Answer. The administration has no plans to use the authority of section 101(b) unless the war in Vietnam requires a significant increase in defense production.

Are any significant scarcities of materials showing up that might require the use of this authority in the present Vietnam crisis?

Answer. In the past year there have been, in addition to copper, some shortages of lead, zinc, aluminum ingot, cadmium, columbium, mercury, molybdenum, platinum, and tungsten. All of these shortages were alleviated, or are in process of alleviation, by sales of surplus DPA inventories and surplus materials from the national and supplemental stockpiles. No action was required under section 101(b) of the Defense Production Act.

Title III of the Defense Production Act provides for financial assistance by the Federal Government in obtaining the expansion of productive capacity and supply in order to support the production of needed defense and defense-related items.

Section 301 provides for Government loan guarantees in the production of materials and in the performance of services for the national defense.

Have there been any loan guarantees entered into under this section in the last few years?

Answer. The loan guarantee program is a continuing activity. It is being used principally by the Department of Defense. The annual reports of the Joint Committee on Defense Production list the value of loans guaranteed each year.

When was this section last used?

Answer. As indicated in the answer to the previous question loan guarantees are being used currently by DOD.

Is this section included in the act at present largely as a standby for use in an emergency?

Answer. As indicated above, section 301 of the Defense Production Act is currently active.

Section 701 of the Defense Production Act provides that special consideration be given to the allocation of defense contracts entered into under the programs established by this act to small business concerns.

Has the purpose of this section been carried out in practice?

Answer. Yes. In fiscal year 1964, the small business share of DOD contracts was \$5 billion within the total of \$26 billion of prime contracts. The AEC awarded \$312 million out of \$677 million in subcontracts to small business in fiscal year 1965.

Section 701(d) provided for a report to be submitted to the President and the Congress 6 months after the enactment of the Defense Production Act Amendments of 1955. The report was to contain a statement of the steps taken by the Office of Defense Mobilization in securing the distribution of contracts to small business; a statement of the actions taken by the Office of Defense Mobilization and other agencies to increase the share of contracts given to small business and specific recommendations by the Office of Defense Mobilization for further action that could be taken to increase the share of procurement going to small business.

Now, this report would be over 10 years old by now and, I don't know why this subsection has remained in the act, but I do think that a similar report covering the same ground might be made by the Office of Emergency Planning again to see where small business stands as of 1966 in connection with the programs under this act.

Do you think that would be a good idea?

Answer. The attention of the major Federal contracting agencies to the principles set forth in the Defense Production Act, indicate that the amount of small business contracts placed do not appear to require extensive review at this time.

Would you please provide this committee with a report on the effectiveness of the program under section 701 of the Defense Production Act to give special consideration to small business concerns in letting contracts?

Answer. Judging from the agency reports to the Joint Committee on Defense Production, the progress to aid small business has been very effective.

In effect, a large part of the Defense Production Act as now in force serves as standby legislation that may be needed in some future emergency. This is true in part of the guarantee program, of the priorities program, and of stockpile procurement.

Now, I would like to know if the Congress should give consideration to providing the President with broader standby authorities such as the ones in the original Defense Production Act of 1950?

Answer. The reestablishment of titles II, IV, V, and VI authorities is not judged necessary at this time. These authorities may be required if mobilization of resources for war should become necessary. The Congress would undoubtedly respond quickly to any reasonable request for legislation under an extreme emergency.

In further response to this question, I am inserting at this point a copy of my March 30, 1966, letter to the chairman of the House Banking and Currency Committee in connection with questions raised by Mrs. Sullivan and Mr. Reuss regarding the advisability of amending the Defense Production Act to provide standby authority for regulating consumer credit.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF EMERGENCY PLANNING,
Washington, D.C., March 30, 1966.

HON. WRIGHT PATMAN,
Chairman, Banking and Currency Committee,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: During yesterday's hearings regarding the extension of the termination date of the Defense Production Act of 1950, as amended, Mrs. Sullivan and Mr. Reuss raised questions regarding the advisability of amending the act to provide standby authority for regulating consumer credit.

I have some questions whether selective controls over consumer credit are appropriate to the current economic situation. They could have significant advantages, however, under two types of conditions: when military priorities clearly require a sizable diversion of resources away from consumer uses, or when inflationary pressures are strongly concentrated in consumer durable goods industries. I am not certain that we are at the point where either of these conditions is present.

These comments do not necessarily imply that it would be undesirable for the President to have standby authority, if Congress wished to place it in his hands, which would enable him to institute such controls if and when they became appropriate. The President has not requested such authority, and I am not proposing it here. Indeed, such a request might have undesirable effects if it was misinterpreted as an indication of some intention to impose consumer credit controls.

I greatly appreciated having the opportunity of discussing H.R. 14025 with your committee yesterday.

Sincerely,

FARRIS BRYANT, *Director.*

Acting Director of OEP, Mr. Dryden, mentioned in his letter to Speaker McCormack submitting a draft of the proposed legislation to extend the Defense Production Act that—

"* * * We are not proposing any amendments to this title [title III] although, as we have pointed out in the past, the financial condition of the borrowing authority under section 304 of the act causes us concern * * *."

Could you tell us in a little more detail what the problem is in this connection?

Answer. The financial problems briefly are that (1) funds being generated by disposal of DPA inventories must be applied in large part to the payment of interest on the notes representing borrowings from the Treasury, and (2) the limitation of \$100 million for new contracting under the 1964 amendment may restrict capabilities of expanding production and procuring materials to meet new shortages in supply. The diminishing availability of funds under the original \$2.1 billion borrowing authority was identified in the March 18, 1964, hearing before the House Committee on Banking and Currency and in prior hearings. It was also reviewed in considerable detail in House of Representatives Report No. 1456 (88th Cong., 2d sess.), dated June 3, 1964. Concern in respect to the \$100 million limitation on new contracting arises from an evaluation of capabilities to expand domestic copper production pursuant to the President's determination of need on March 21, 1966.

Under section 303(f) of the Defense Production Act the President may transfer materials in the defense production stockpile which are judged to be in excess of the needs of the program under this act to the national stockpile. Has there been a substantial transfer of materials to the national stockpile under this provision (a) since 1960, and (b) since 1964?

Answer. There have been no transfers of materials from the DPA inventory to the national stockpile under the provision of 303(f) of the Defense Production Act.

How many different items were there in the defense production stockpile as of the end of 1961?

Answer. There were 25 items in the Defense Production Act inventories as of December 31, 1961. They were:

Aluminum	Manganese, metallurgical
Asbestos, chrysotile	Manganese, metal, electrolytic
Bauxite, Jamaica	Mica, muscovite block, S/B
Beryl	Mica, muscovite film, first and second quality
Bismuth	Nickel
Chromite, metallurgical	Palladium
Cobalt	Rare earths residue
Columbium	Rutile
Copper	Tantalum
Cryolite	Thorium
Fluorspar, acid grade	Titanium
Lead	Tungsten
Manganese, battery, synthesized dioxide	

And how many different items are there in the defense production stockpile as of the present time?

Answer. There were 22 different items in the DPA inventory on December 31, 1965.

Under the executive reserve program various agencies have recruited executive reservists from all over the country in various fields.

Is there an operating concept on which you train these executive reservists?

Answer. Members of the national defense executive reserve are trained by each Federal department and agency reserve unit. Their training depends on their specific emergency assignment. For example, reservists assigned to the Office of Emergency Planning's stabilization unit are trained in specific fields of wage, price, and rent controls. Executive reservists assigned to the Office of Emergency Transportation, Department of Commerce, are informed on the Government's emergency transportation networks. Overall training and orientation is coordinated by the Office of Emergency Planning. In its capacity as a coordinator, it sponsors joint training sessions between all units of the executive reserve. In 1965, for example, a national conference of all members of the executive reserve was held in Washington, D.C., on October 25 and 26. More than 1,200 reservists participated in this conference. Reservists were briefed on general Government policies pertaining to mobilization and on their specific emergency roles.

Are most of these executive reservists to work in the field or in Washington in case of an emergency?

Answer. Some executive reservists are assigned to headquarters positions and others to field positions in case of an emergency. The field assignments are based on the concept that in the event of a nuclear attack, many of the Federal Government's activities will be decentralized and emergency staffing will be required in the regional relocation centers.

Has it been determined in advance for whom they would work in emergency and where they would work?

Answer. Executive reservists have preassigned emergency responsibilities and reporting locations.

Has it been determined in detail whether some or all would be assigned to State and local authorities or would they all be working for the Federal Government in case of emergency?

Answer. All reservists would be working for the Federal Government in case of an emergency. Some States are developing their own reserve programs.

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From whom would these executive reservists take orders under emergency circumstances in carrying out their assignments?

Answer. In an emergency involving a nuclear attack on the United States, each member of the executive reserve would take orders from the responsible head of the agency or agency unit to which he is assigned. In some instances, agencies have provided that their executive reservists in the field should work with, and often subject to the direction of, the regional director of the Office of Defense Resources if the reservist is unable to get in direct contact with the agency to which he is assigned.

Has anything been done in developing an executive reserve program to provide for an adequate continuing base of operating personnel? In other words, have you guarded against the problem of recruiting persons who either are or become high executives after a period of time, and who might, therefore, be of little use in actually operating these programs in an emergency?

Answer. Executive reservists are enrolled from business, labor, agriculture, and the academic professions. They are expected to serve as top level Government officials or as specialists during periods of an emergency. Members of the executive reserve sign a statement of understanding with the U.S. Government committing themselves to be available in times of emergency to perform their preassigned duties or other emergency functions. The large number of operating personnel that might be required in an emergency will be provided by the Civil Service Commission from its pool of less essential employees, and retired employees, and by emergency recruitment from the outside.

Roughly, what percentage of the active members of the executive reserve would you classify as operating personnel as opposed to high-level management personnel?

Answer. Nearly all members of the reserve are high-level management personnel. The program is designed for this purpose. The functions which reservists will carry out in a national emergency generally require high-level management or professional personnel.

Under section 301(c) of the Defense Production Act, the Federal Reserve Board is given the power to determine interest rates on loans, guarantees, etc., made to industry under the Defense Production Act.

Please describe the actions of the Federal Reserve in establishing these interest rates, including the basis on which they have been established and the changes that have been made by the Federal Reserve Board since the act was originally passed.

Answer. Pursuant to Executive Order 10480 the Federal Reserve Board prescribes the regulations governing the actions and operations of fiscal agents under section 301 of the Defense Production Act and prescribes the rates of interest, fees, and other charges made in connection with loans, discounts, advances, or guaranteed commitments. We are obtaining the information you have requested and will forward it to you promptly upon receipt.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF EMERGENCY PLANNING,
Washington, D.C., April 14, 1966.

HON. WRIGHT PATMAN,
*Chairman, Banking and Currency Committee,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: At the conclusion of the March 29 hearings regarding the extension of the termination date of the Defense Production Act of 1950, as amended, you presented a list of 44 questions and asked that I reply later.

On April 7, I forwarded a detailed statement responding to all questions except No. 43 which requested an outline of the actions of the Federal Reserve Board in establishing interest rates on loans made pursuant to section 301 of the act.

The General Counsel of the Federal Reserve Board, in response to my request, has examined its procedures implementing the authorities delegated in Executive Orders 10161 of September 9, 1950, and 10480 of August 14, 1953. A copy of his letter to me of April 8, 1966, is enclosed for your consideration.

Sincerely,

FARRIS BRYANT, *Director.*

BOARD OF GOVERNORS,
FEDERAL RESERVE SYSTEM,
Washington, D.C., April 8, 1966.

Mr. FARRIS BRYANT,
Director, Office of Emergency Planning,
Washington, D.C.

DEAR MR. BRYANT: This is in reply to your letter of April 6, 1966, in which you requested information which will enable you to respond to a question from the House Banking and Currency Committee concerning the Defense Production Act of 1950.

You have asked us to describe the actions of the Federal Reserve Board in establishing interest rates on loans made pursuant to authority of the Defense Production Act, including the basis on which they have been established, and the changes that have been made by the Board since the act was originally passed.

As you know, the President by Executive Order No. 10161, dated September 9, 1950, delegated to the Board his authority under the act to prescribe regulations, interest rates, guarantee fees, and forms and procedures, subject to a requirement that the Board should first consult with the guaranteeing agencies. At the same time, the President expressly designated the Federal Reserve banks as fiscal agents of the United States in carrying out guarantees under the act in respect of private financing institutions.

Pursuant to this authority, the Board on September 27, 1950, issued its Regulation V (32A CFR ch. XV) entitled "Loan Guarantees for Defense Production." Executive Order 10161 was subsequently superseded by Executive Order 10480, dated August 14, 1953, which, however, made no changes affecting the Board's authority under the program.

The first action taken by the Board in establishing interest rates was on September 27, 1950, at which time the maximum rate of interest authorized to be charged with respect to a guaranteed loan was set at 5 percent. The rate was increased to 6 percent on May 15, 1957, and this rate is in effect at the present time. The Board's Regulation V has not been amended since its initial publication in 1950.

In accordance with the provisions of the above-mentioned Executive Orders, Regulation V states that the rates of interest which may be charged with respect to these guaranteed loans will be prescribed by the Board after consultation with the guaranteeing agencies. These rates of interest are set at a level which will make them attractive to commercial banks throughout the country, and yet not so high as to interfere with the overall effectiveness of the program. This means, in effect, that the banks extending these loans do not realize a return equivalent to that which they might obtain through other types of lending operations.

I trust that this information will be helpful to you in responding to the House Banking and Currency Committee. If I can furnish you with any further information, please do not hesitate to be in touch with me.

Very truly yours,

HOWARD H. HACKLEY, *General Counsel.*

What has OEP done to see that our vulnerability to such incidents as the Northeast power failure do not occur?

Answer. In preparation for possible future blackouts or emergencies, OEP, in cooperation with other agencies, has taken the following actions:

The OEP is working with the Federal Power Commission and the Defense Electric Power Administration in developing an information gathering system in cooperation with the electric utility industry for reports to the President through OEP and to various levels of Government in the very early stages of disasters or such occurrences as the Northeast power failure. The reports will cover the causes of the trouble, extent of the disaster, restoration schedules and problems, and possible Government actions. These reports should provide essential facts and conclusions of valuable assistance to us in refining and improving our emergency planning with the electric power industry.

The Department of the Interior has encouraged industry to—

1. Review its emergency procedures and plans, and past experiences with electric failures;
2. Examine its wiring and transmission systems;
3. Have manual rather than automatic turn-on of emergency power when such is determined to be more desirable; and
4. Keep constant surveillance over its installations.

Under FPC's rulemaking authority, extensive studies are underway to prevent a recurrence of the Northeast power failure. It is understood that FPC is preparing a report to the Senate Commerce Committee on this subject.

The CHAIRMAN. Mr. Fino?

Mr. FINO. Thank you, Mr. Chairman.

Governor, just quickly, in view of the rapidly changing world conditions, would you not think that 1 or 2 years should be the limit of the extension on this act?

Mr. BRYANT. This act has had a history of some 16 years now, and one of the things that interested me about the act, as I stated, in these few days that I have been involved, is where the authorities have not been necessary in whatever the current situation is from time to time, they have not been used. Apparently, this has not been one of the acts where either those in the executive branch or those in Congress have attempted to assert all the authority that they could. I think that this act, while we would have no objection to reviewing it at any time, does unnecessarily come before the Congress for review, inasmuch as your joint committee constantly reviews our work and can call us up at any time.

Mr. FINO. Governor, it is common knowledge that the Korean troops fighting in Vietnam are paid for by the United States. We pay their expenses.

It is not common knowledge that we are paying Koreans far more than just expenses. It seems we are giving them, the Koreans, a cut of Vietnamese war production.

The London Economist and the St. Louis Post-Dispatch both stated that priority for Korea in war production is part of the deal. Senator Bayh, of Indiana, has described some large-scale profiteering that is going on. As I understand it, it seems simple enough, an American agency which uses U.S. AID funds in South Vietnam is using U.S. AID funds to buy iron which is galvanized in Korea at an outrageous cost. The Koreans pay \$140 a ton for the iron; they galvanize it at a cost of \$30 or \$40 per ton, and then they sell it for \$260 a ton. According to information Senator Bayh put in the Congressional Record on March 10, of this year, the galvanization of this iron is substandard. The Korean galvanization process uses less than half of the zinc specified by the U.S. Bureau of Standards. Galvanized iron of the same or better quality could be bought on the free market for \$160 per ton.

What is happening seems very clear. The Koreans are being given a setup where they may use profit from galvanizing iron and part of their profits come from the substandard job they are doing. Do you know the terms of our deals with the Koreans, and do you support this type of war production needs?

Mr. BRYANT. No. In fact, Congressman, this is the first I have heard of it. I have not been exposed to it. I do not know the terms of any deal with the Koreans.

Mr. FINO. This matter has been brought to the attention of the chairman of the Joint Committee on Defense Production, by a letter from me to Senator Robertson, and he has turned this letter over to Secretary McNamara. He asked for his comments on this situation.

On March 18, I asked Senator Robertson to investigate reports that we are letting South Korean suppliers sell these materials as part of the price of other South Korean war participation.

Do you feel that it is proper to hold out cuts of Vietnamese war production needs to interest Asian governments in furnishing hired troops to Vietnam?

Mr. BRYANT. Congressman, I do not wish to evade you, but what I would have to do is respond to you on the basis of completely inadequate information. I would not feel in my judgment—

Mr. FINO. When you say "inadequate information," you mean insofar as you are concerned?

Mr. BRYANT. Yes.

Mr. FINO. Is there anyone on your staff that is familiar with this situation?

Mr. BRYANT. They advise me that this really does not come within the purview of the Office of Emergency Planning, and that there is no one on our staff which does have the competence in this particular area.

Mr. FINO. Are you surprised at using U.S. AID funds to buy war materials from our so-called allies, at inflated prices instead of requiring that such materials be bought in the United States?

Mr. BRYANT. Well, sir, I would have to give you a hypothetical answer to a hypothetical question as this, because it is hypothetical to me, lacking that knowledge.

With your permission, I would rather not do so.

Mr. FINO. I would like to ask you with regard to two stockpiled commodities, tungsten and opium.

I understand that we have 159 million surplus pounds of tungsten, and it will take us 157 years to get rid of it at the current disposal rate.

I also understand we have 40,000 surplus pounds of opium. All this is extremely valuable stuff, as you can well appreciate. I believe it comes from the Far East. Some of it comes from Korea. These materials were purchased many years ago. Why were they stocked in such excess?

Were these purchases made as disguised foreign aid to the nations in question?

Mr. BRYANT. While I cannot give you the specific answer, actually the acquisition of these materials from time to time has been in varying circumstances. Sometimes it has been for cash and sometimes a result product of barter where we were trying to dispose of surplus agricultural of one kind and in return took commodities for our purposes, and it might be in excess supply.

Also, there has been a continuing evaluation of our stockpile needs and of the basis for determining them so that which was at one time not in excess supply may at another time with new stockpile objectives be determined to be in excess supply.

Mr. FINO. Recently, it was announced that part of our copper stockpile would have to be disposed of to help meet growing copper needs.

Now we are faced with a copper shortage. The President is considering various programs to encourage copper production.

My question relates to copper consumption, specifically in our coinage. In the light of our national shortages of both copper and silver, do you think we ought to take steps to change our coins?

Mr. BRYANT. If this can be done without reducing the usability and utility of coins of that category, I would see no reason why not. However, it is not a field within my purview, and I would think it would be up to the Treasury Department to express views on this.

It has also been pointed out to me that it is the function of Congress to make that determination, and I assume that what has been done has been consistent with the law.

Mr. FINO. It is the function of Congress to do a lot of things, Governor, but many times we seek advice of gentlemen like yourself.

Mr. BRYANT. Certainly.

Mr. FINO. Let me see if we can get a quick answer. A recent manpower report indicates a shortage of skilled manpower. This is not surprising. We have drafted 300,000 men and put in an additional half million persons in munitions industries. Presently we have 300,000 troops in Europe. We can ease the draft and we can ease our manpower problems if we withdraw troops from Europe.

Do you agree that U.S. boys should have to face the draft to protect European industry and manpower needs?

Mr. BRYANT. I am sorry. I did not hear the last question.

Mr. FINO. Do you agree that the U.S. boys should have to face the draft to protect Europe's industry and manpower needs?

Mr. BRYANT. No, I do not, except as we have obligations to NATO, for they should be met.

Mr. BARRETT. Mr. Chairman, will the gentleman yield to me?

Mr. FINO. I am just about finished.

Just another question, Governor.

Mr. BRYANT. I do not understand that that has been done either, or is being done, or is contemplated, except to meet NATO obligations.

Mr. FINO. I recently read that the Renegotiation Board, which is the vehicle through which profits on defense contracts are limited if they are found to be excessive, had only one-quarter of the persons that it had at the end of the Korean war despite the fact that there is a higher dollar value of defense contracts now than at that time.

Do you think that the Renegotiation Board ought to be given more personnel and a bigger budget so that we can absolutely assure that war profiteering is firmly under proper control?

Mr. BRYANT. Of course, I would agree with the Congressman that every effort ought to be taken to assure that war profiteering is kept under proper control.

As to particular measures required to do it, I am not competent to respond.

Mr. FINO. You do feel, as I do, I am sure, that the American taxpayers deserve these safeguards?

Mr. BRYANT. Certainly they do, and, as far as I know, they are receiving it.

Mr. FINO. Thank you.

The CHAIRMAN. Mr. Barrett?

Mr. BARRETT. No questions.

The CHAIRMAN. Mrs. Sullivan?

Mrs. SULLIVAN. Thank you, Mr. Chairman.

I have several questions.

According to the radio reports this morning, the new Consumer Price Index will be announced today, and it will show a substantial increase for February, just as the wholesale index did, and I am sure we will begin to get requests and suggestions now that we impose some sort of controls on prices and wages.

Let me say now that I do not think such an idea at this time would get a single vote in the House. But that is not my point.

The Office of Emergency Planning is supposed to have been busy, among other things, these past 13 years, in drafting plans and legislation for economic controls if they should ever become necessary.

Have you been doing that work, and, if so, could you tell us something about the way you have gone about this assignment?

Mr. BRYANT. I am advised that we have been—this has been done, and I would like to ask Mr. Belsley to respond in particular for your information.

Mrs. SULLIVAN. I would be happy to have him do so.

Mr. BELSLEY. It has been, as you point out, the responsibility of the Office of Emergency Planning and its predecessor agencies to develop plans with respect to price, wage, and rent controls. This has been done. It is a continuing job. The plans have been made not only for conventional or limited war situations but also for nuclear war situations. I hasten to add, however, that nobody at the present time contemplates, or plans, the imposition of such controls under present conditions.

These direct controls generally are considered to be a last resort action with other steps being taken first, so that while the plans for them have been a regular part of the activities of the Office of Emergency Planning, nobody is waving them aloft or ready to impose them on the American people at the present time.

Mrs. SULLIVAN. One other question: In your opinion, do you or Governor Bryant think that we need any additional authority under the Defense Production Act at this particular time—and I stress “at this particular time”—to give the President additional powers in the area of price and wage and rent stabilization or rationing or anything of that sort?

Mr. BRYANT. We do not have at the present time legislative authority in that field, and there is no thinking in the administration of which I know that we need such authority at this time.

Mrs. SULLIVAN. You would need additional authority from Congress, of course, in order for the President to have standby powers to impose wage or price controls, so I was wondering if there was any thinking in that direction.

Mr. BRYANT. That is right. We do not have the authority to do that, and we would have to have it, but there is no present thinking that I know of to ask for it.

Mrs. SULLIVAN. Thank you.

Mr. Chairman, I have two additional questions, also on the issue of standby authority, and these relate to authority to regulate installment credit. In order to conserve time, I would like to present these questions in writing to Governor Bryant and have him supply us with the answers, if he would, for the record.

Mr. BRYANT. I would be glad to.

Mrs. SULLIVAN. Thank you.

The CHAIRMAN. Without objection, so ordered.

(The questions referred to and Mr. Bryant's reply follow:)

QUESTIONS BY MRS. SULLIVAN TO BE ANSWERED FOR THE RECORD ON STANDBY
AUTHORITY TO REGULATE INSTALLMENT CREDIT

Question. During World War II, we had a program of credit regulation in operation under the Federal Reserve Board, under a regulation known as regulation W. This required a one-third downpayment on installment purchases, with the term of the contract limited to 18 months, I believe, on some items, and 24 on others. It ended in the late 1940's, and I believe was not used during the Korean war—in fact, I believe the Congress prohibited its use.

Do we need Federal regulation in this field today—I'm not talking about truth in lending, but regulation of installment terms and conditions so that credit is not used excessively to cause inflation?

Question. Should we write into the Defense Production Act any standby authority for a new type of regulation W if something like that should become necessary to clamp a lid on excessive use of installment credit in an inflationary situation? I am just asking for an opinion, because I know the President has not recommended any such thing and it is not pending before us. But I think we always want to analyze these things in a calm atmosphere—and not wait for some emergency in order to begin talking about it. So, on that basis, could you give us your opinion on the advisability of standby authority to regulate installment terms as an anti-inflation weapon.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF EMERGENCY PLANNING,
Washington, D.C., March 30, 1966.

HON. WRIGHT PATMAN
*Chairman, Banking and Currency Committee,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN. During yesterday's hearings regarding the extension of the termination date of the Defense Production Act of 1950, as amended, Mrs. Sullivan and Mr. Reuss raised questions regarding the advisability of amending the act to provide standby authority for regulating consumer credit.

I have some questions whether selective controls over consumer credit are appropriate to the current economic situation. They could have significant advantages, however, under two types of conditions: when military priorities clearly require a sizable diversion of resources away from consumer uses, or when inflationary pressures are strongly concentrated in consumer durable goods industries. I am not certain that we are at the point where either of these conditions is present.

These comments do not necessarily imply that it would be undesirable for the President to have standby authority, if Congress wished to place it in his hands, which would enable him to institute such controls if and when they became appropriate. The President has not requested such authority, and I am not proposing it here. Indeed, such a request might have undesirable effects if it was misinterpreted as an indication of some intention to impose consumer credit controls.

I greatly appreciated having the opportunity of discussing H.R. 14025 with your committee yesterday.

Sincerely,

FARRIS BRYANT, *Director.*

The CHAIRMAN. Mrs. Dwyer?

Mrs. DWYER. No questions.

The CHAIRMAN. Mr. Reuss?

Mr. REUSS. Governor Bryant, I noticed you testified that we do not need price or wage controls, and I thoroughly agree. However, you also point out that controls over consumer credit were allowed to lapse in 1953—they had been contained in the act for some years—when inflationary pressures subsided.

The fact of the matter is that today in the United States consumer credit is at an alltime high, somewhere in the area of \$80 billion—perhaps you can check that—and the Federal Reserve System is

engaged constantly in raising interest rate costs across the board ostensibly to cut down, among other things, on consumer credit. And, of course, this has the effect of chilling and dampening expansion by small business, expansion by industry, which could be making valuable capital additions to the economy, expansion of necessary activities of State and local governments. Therefore, the Joint Economic Committee believes that we are in a very vulnerable situation without having on the statute books power for the Federal Reserve to impose consumer credit controls, by which one controls the length of the installment credit term and the amount of the downpayment.

When Chairman Martin of the Federal Reserve was before Congress recently, he wrung his hands about this, but said, "Well, we do not have the power."

I propose today to introduce an amendment to our proposal for extension of the act giving the Government precisely the same standby powers that it had the last time we had inflationary pressures in the economy back in the early 1950's, to control consumer credit. My amendment would have the same very simple authorization that is contained in the law back in 1950 and 1953; namely, that the Federal Reserve has that standby power and cannot refrain from doing its duty on the ground that Congress has forbidden it to do its duty.

I hope you and the administration will support that simple little amendment.

Mr. BRYANT. Thank you, Congressman. I can't respond positively to that at this time.

Of course, the President's proposal for the truth-in-lending bill, itself, contributes a somewhat restraining influence.

Mr. REUSS. This will do some good, because if the consumer knows what the interest cost on his installment credit is, some of the marginal sales might not take place. But the truth-in-lending bill, in and of itself, cannot come to grips with the problems of an inflationary extension of consumer credit. This seems to me a very important gap in our armament, and I can't imagine that this administration or any administration would oppose Congress empowering it, if it sees the need in the next 4 years, to exercise the same controls which worked very well back when they were last needed.

I am under the impression that this committee will shortly move to the markup of your bill, and, since, of course, consumer credit controls are part of the Defense Production Act, I would appreciate it if you would inform us, on an expedited basis, whether the administration has any objection to the Congress giving the executive branch this power which the committee feels is essential. You would not have any difficulty in finding that out?

Mr. BRYANT. I think not, and I certainly will attempt to do so expeditiously.

(The information may be found on p. 20.)

Mr. REUSS. The only other question I have relates to the old question of whether we renew this authority for 4 years or 2. I think the pattern of the past has been that the administration, Republican or Democrat, comes up and ask for 4 years and Congress gives 2 years. Is that correct?

Mr. BRYANT. It is my understanding that we have always asked for two under all administrations, but at the last hearings, two members of the committee, the chairman and one who is not now a member of

the committee, both raised the question: Why do you not come up for 4 years? And the other said, Why do you not make it a permanent authority? And so, in the light of those expressions, we have suggested that it be for 4 years.

Now, it is a matter for the Congress. We carry no great brief for the 4-year extension.

Mr. REUSS. The only point in not making it permanent and possibly having it for 2 years rather than 4 years is that it compels us on the committee to take a look at the state of the Nation when you and your associates come back.

Mr. BRYANT. I appreciate that.

Mr. REUSS. Particularly, on the consumer credit thing, it focuses our attention on the fact that the administration is currently without a very important power which many of us think it ought to have.

The CHAIRMAN. May I find out from the committee, if it wishes to proceed, how fast should we go? Should we try to get this bill out this morning. We feel that it would be in the public interest to do so, but if the committee wants to go into examination of the witnesses further, it will be perfectly all right with me.

Mr. BROCK. Governor Bryant, I congratulate you on your new responsibility.

Mr. BRYANT. Thank you, sir.

Mr. BROCK. I would like to ask you just a couple of questions on your general philosophy in relation to the agency and the act which involves it.

The Senate report on the Defense Production Act said the act's authority was not to be used as an economic weapon to control profits. This principle is reiterated in subsequent recommendations and reports of the Joint Committee on Defense Production. Do you agree in principle with this statement?

Mr. BRYANT. Yes; I do. I think in our capitalistic structure, the goal is to operate with the minimum restriction on free enterprise, consistent with the objectives set forth in the statutes and in the Executive orders under which we operate.

Mr. BROCK. What would be your interpretation of the primary purpose of your agency in its relationship to the Defense Production Act?

Mr. BRYANT. In relation to the Defense Production Act alone?

Mr. BROCK. Yes, sir.

Mr. BRYANT. I am sure it can be better stated, but principally it is to insure that we have the right materials in the right amounts at the right places at the right time to serve the defense needs of the Nation.

Mr. BROCK. Thank you. Do you believe that the authority of this act should be used for such purposes as enforcing an economic policy of price and wage restraint through sales, or purchases, of commodities needed for civilian consumption?

Mr. BRYANT. I believe in the chairman's opening statement, as he commented—and I am very new—that one of the purposes of the act was to limit the inflationary process, and I think that is a part of the act. I think his statement was accurate, and it should be used in that fashion and for that purpose in the interest of the national defense and national security.

Mr. BROCK. You just expanded, then, your definition of the purpose of the Defense Production Act?

Mr. BRYANT. Yes; I have. You are correct; it is a dual role. But, of course, when you control inflation, you do this, among other things with the objective of insuring that you do have the capacity to produce the war materials, and you must do it within the limits of the act.

Mr. BROCK. As far as your commodities are concerned, what effect does inflation have on having the right material at the right place at the right time? You have got them on hand.

Mr. BRYANT. Whenever you have an upset in the price structure, you are going to have questions on delivery systems and delivery potentials. Obviously, if, for instance, at any time one of the overall products or essential products gets out of line with the others, you are going to upset the whole price relationship.

Mr. BROCK. I thought the law of supply and demand, Governor Bryant, would imply that if you had an increase in price that there would be an obviously greater tendency for more supply.

Mr. BRYANT. Of course, it is; but when you inject defense production requirements into a normal economy, you upset that economy. When you have a Chilean strike with a particular product, you upset the economy. When you have a Zambian crisis, you upset the economy, and where the situation becomes such that it is essential to be able to deliver the product at the time and place needed, these upsets in the economy must be to the extent possible, and in the national interest, taken into account.

Mr. BROCK. When you have an aluminum price increase of 3 percent which did not raise the new price levels to the level which was in existence in 1958, does that create a serious imbalance in the economy and in the action of the Defense Production Act?

Mr. BRYANT. Congressman, I have tried, in some degree, to acquaint myself with the copper situation, because while this order came into being before I arrived, I realized that it was of very current interest.

As far as aluminum is concerned, all I know of it is that it is light and strong. I am really not competent to respond to you on that.

Mr. BROCK. Governor, to put it on a different plane, would an amendment of the Defense Production Act to prohibit sales or purchases of stocks for purposes other than those directly related to national defense needs be unwise, given that the legislative history of the act provides solid ground for stating that such sales and purchases were definitely not envisaged in the act as passed?

Mr. BRYANT. I have to make a study of the existing language of the act before I could suggest to you the beneficial or harmful effects of the proposed amendment, Congressman. I am simply not able to respond to you on that.

Mr. BROCK. Let me suggest something to you. If we accept the act as written today and simply add a very short sentence to the effect that the powers granted in section 101 shall not be used to expand or contract supplies and materials in the civilian market for purposes of controlling prices fixed by such industries or controlling profit of such industries. Would that be a simple amendment?

Mr. BRYANT. It would be a simple amendment, but it seems to me it would change somewhat the spirit and effect of the act we now have.

The CHAIRMAN. Would you be willing for him to submit his answer for the record in view of the fact that he states that he is not prepared to answer it now?

Mr. BROCK. If the committee is going to act before we receive the answer I would be delighted for him to submit it later. But if we are going to act today I think we need the answer today because I suggest we might offer this amendment.

The CHAIRMAN. We would like to expedite it. So do the best you can, Governor Bryant, in answering it.

Mr. BRYANT. I have, sir.

Mr. BROCK. Well, let me elaborate, then, Governor Bryant. Maybe I misinterpret your position, but I felt that you placed primary emphasis on having the right material at the right place at the right time.

The question asked somewhat earlier about allowing the Federal Reserve to propose credit restraints and about having the possibility of price and wage controls under a different act of Congress relates to my question. Do you envision your responsibility as being primarily one of inflationary restraint?

Mr. BRYANT. Indeed, not.

Mr. BROCK. In any respect does it include that responsibility?

Mr. BRYANT. To the extent that it affects the ability of the economy to serve the national interest as directed in the act, yes.

Mr. BROCK. I think my time has expired.

The CHAIRMAN. Is there anyone on this side desiring to ask questions? Mr. Moorhead?

Mr. MOORHEAD. Do you or some other agency of Government have the authority to limit or prohibit export of materials deemed to be in short supply?

Mr. BRYANT. The Department of Commerce has that authority.

Mr. MOORHEAD. Is it under this act or under a different act?

Mr. BRYANT. Under a different act.

Mr. MOORHEAD. Thank you, Mr. Chairman.

The CHAIRMAN. Someone on this side? Mr. Clawson?

Mr. CLAWSON. Thank you, Mr. Chairman.

In a hearing before the Committee on Appropriations of the House of Representatives on the budget for 1967—I want to lay a foundation for the question—the following appears in connection with comments on receipts from stockpile sales. I quote:

Mr. MAHON. I want you to make clear for the record information in regard to the sales of stockpiled materials. What impact do these increasing sales have on this budget?

The following statement was supplied for the record: Disposals of approximately \$1 billion of excess stockpile material are projected in 1966 and 1967.

The following estimates for 1965 sales—and I have the record here—the Defense Production Act revolving fund sales credited to expenditures, 1965, actual, \$75 million; 1966, estimate, \$139 million; and 1967, estimate, \$185 million.

Strategic and critical materials stockpile sales included in Treasury receipts, 1965, actual, \$280 million; 1966, estimate, \$804 million; and 1967, estimate, \$826 million.

The table that I have shows stockpile sales in the 1967 budget are scheduled to total slightly over \$1 billion. Of such sales, \$826 million will be from the strategic and critical materials stockpile and the proceeds from resales will be covered into the Treasury as miscellaneous receipts. In other words, \$826 million will be a one-shot item of revenue in next year's budget.

It is interesting to compare this with the treatment of the \$158 million of receipts from the Defense Production Act stockpile. These receipts are to be credited to expenditures. In other words, the receipts will cover \$185 million of expenditures that will not be included in the administrative budget as expenditures. This is another instance of the administration doctoring the budget to show a lower total of expenditures than is actually the case.

Governor Bryant, can you enlighten us as to these projected sales from the Defense Production Act stockpile inventory, and please identify the materials that are to be sold and the amounts, the inventory cost price, and the proceeds to be received for each item?

Mr. BRYANT. I will ask Mr. Belsley to respond to that, if I may.

Mr. BELSLEY. Congressman, it was estimated in the budget that a billion dollars worth of excess strategic and critical materials will be disposed of in fiscal 1966 and another roughly \$1 billion in 1967. I don't have before me the exact items that would be involved, but we can furnish this for the record. We would be delighted to do so, if you wish.

During the past 2 years, an extra effort has been made to dispose of excess materials. As I think the figures will show, this has resulted in increasing quantities being disposed of. There are now pending before the Congress some 20 bills providing for the disposal of excess materials from the strategic and critical materials stockpile and in some instances the supplementary stockpile. I will be very glad to furnish for the record that list if you wish.

Mr. CLAWSON. Can we address ourselves to copper? Perhaps you will know from your own memory. The DPA inventory as of June 30, 1965, listed 43,284 short tons of copper held at a cost of \$24,462,000. Has that copper been sold since June 30 of last year and, if so, what was the proceeds from the sale?

Mr. BELSLEY. It has been sold or committed. I would have to furnish for the record the exact dollar amount that was received. But all, except in a very negligible amount, copper from the DPA inventory has been committed for sale.

Mr. CLAWSON. Has been sold or committed?

Mr. BELSLEY. That's correct.

Mr. CLAWSON. Mr. Chairman, could we have the proceeds for the record?

The CHAIRMAN. Can you insert that in the record?

Mr. BELSLEY. We would be delighted to do so.

The CHAIRMAN. It will be inserted at this point.

(The information requested follows:)

As of June 30, 1965, there were 43,284 short tons of copper in the Defense Production Act inventory. Since July 1, 1965, through March 18, 1966, 41,369 short tons have been sold or committed at a market value of \$29,702,900 leaving a total of 1,915 short tons in the Defense Production Act inventory, which is presently being held for payment for upgrading oxygen-free copper.

Mr. CLAWSON. Apparently this copper is not included in the initial 200,000 tons.

Mr. BELSLEY. No, sir. The 200,000 tons that I think you refer to, the recent action by the President, is from the national stockpile.

Mr. CLAWSON. Then we are holding copper below the stockpile requirements, these 200,000 tons?

Mr. BELSLEY. If you take all the copper that has been committed for sale, including the recent 200,000 tons that has been released although not yet sold, assuming it is committed for sale, there would remain primarily in the national stockpile, approximately 409,000 tons of copper. As I say, a very negligible amount—so small probably shouldn't even refer to it—is in the Defense Production Act inventory and a little bit in the supplemental stockpile. The total is 409,000 tons. The stockpile objective for copper is 775,000 tons.

Mr. CLAWSON. This would make the stockpile short?

Mr. BELSLEY. The release brings the total inventory down to about 409,000 tons.

Mr. CLAWSON. On another metal. In the paper yesterday I noticed a story that Bolivia was protesting an announced pending sale by our Government of 28,000 tons of tin. Is that tin in excess of the stockpile?

Mr. BELSLEY. Yes sir; it is excess to the objective.

Mr. CLAWSON. As I understand it there is no tin in the Defense Production Act inventory.

Mr. BELSLEY. I think that is correct. I would have to double check, but I think that is correct. I am told that is correct.

Mr. CLAWSON. There is none. Is any needed?

Mr. BELSLEY. No, sir, we have enough tin in the national stockpile and in the supplemental stockpile to meet the stockpile objective for tin.

Mr. CLAWSON. You feel that even though this was a critical material in the Korean conflict, you still feel we have enough in inventory?

Mr. BELSLEY. We have enough in inventory to meet that stockpile objective.

Mr. CLAWSON. Mr. Chairman, I wonder if we should not be taking a much more careful look at these DPA inventories and perhaps even amend the law to require that congressional approval must be received before any additional sales are made.

The CHAIRMAN. Most of this information, Mr. Clawson, can be obtained through staff or through your staff and I just wonder if we should go into that before the whole committee. It will delay the proceedings considerably.

If it is necessary, of course we should do it. But after all, this does not relate to the administration of the act.

Mr. CLAWSON. It seems to me if we are selling from the stockpile and we have indicated here in the copper situation we are getting below the needed requirement. I believe Congress should look—congressional action may be necessary.

The CHAIRMAN. Of course. I am on that Joint Committee on Defense Production as vice chairman. We had a very full and complete report on all of the items that you mention in the annual report made on January 17, 1966. I offer it to you if you would like to see it.

Mr. CLAWSON. I think I have a copy here.

The CHAIRMAN. I think you will find the information that you desire in this 15th annual report. It is very comprehensive.

Mr. CLAWSON. We are making some changes right now. We are selling off from the stockpiles.

The CHAIRMAN. We could not keep up with the activities from day to day.

Mr. CLAWSON. I would like to yield to Mr. Brock.

Mr. BROCK. I believe you expected sales of about a billion dollars this year, is that correct?

Mr. BELSLEY. That was the estimate that was included in the President's budget.

The CHAIRMAN. Last year you sold considerably less than that, did you not?

Mr. BELSLEY. In fiscal 1965 there was a total of about \$423 million disposed of from all inventories. So far in the first half of the present fiscal year that amounted to about \$446 million.

Mr. BROCK. Was that considerably less than you had estimated in the budget of 1966?

Mr. BELSLEY. Wasn't what less?

Mr. BROCK. Actual sales for fiscal 1966?

Mr. BELSLEY. We are in fiscal 1966.

Mr. BROCK. Right

Mr. BELSLEY. The sales are not over yet.

Mr. BROCK. You estimated substantially higher amounts of sales than you incurred to date?

Mr. BELSLEY. For fiscal 1966? The billion dollars that were estimated in the President's budget have not yet been reached in fiscal 1966.

Mr. BROCK. Do you anticipate reaching it?

Mr. BELSLEY. I can't answer that. Only the General Services Administration could answer that. I think an effort is being made to reach the figure. I don't know what it will be and I couldn't answer you, sir.

Mr. BROCK. All right.

The CHAIRMAN. Mr. White?

Mr. WHITE. Thank you Mr. Chairman. I think that really, for the purpose of this record that we should think a little bit—take a look at the stockpile objectives.

Mr. Bryant, you and some of your people have testified before the Mines and Mining Subcommittee of the House of Representatives with reference to stockpile objectives in the past and as recently as about 2 weeks ago. At that time it was brought out in those hearings that stockpile objectives for conventional war are undergoing this continual study and you had been asked to try to determine some nuclear war objectives. I understand from the testimony developed in those hearings that instead of nuclear war objectives you came up with residual amounts that might be anticipated after a nuclear attack. Is that correct?

Mr. BELSLEY. If I understand you, Congressman, no.

Mr. WHITE. I understand that the committee adjourned at the point of testimony of the Defense Department that followed testimony by the Office of Emergency Planning where the actual information brought forth at those hearings indicated there was no nuclear war

objectives and the only objectives were a residual amount that might be left after nuclear attack. Is that correct?

Mr. BELSLEY. I understand. I wasn't present when that testimony was made. I haven't read that record and it is hard to respond. But, we have tried to get from the Department of Defense their estimates of their requirements for nuclear war. We have gotten enough for us to proceed in making the studies for stockpiling purposes, but we need more. I think it is correct that they took the attitude at the beginning that they might be in a position where they would want to know what is available to them before stating what their requirements would be.

Mr. WHITE. There have been no objectives propounded as yet for a postnuclear war attack, is that not correct?

Mr. BELSLEY. We have not developed nuclear war stockpiling objectives.

Mr. WHITE. Have you any plans as to the date when this might be developed?

Mr. BELSLEY. We have plans for the development of them, but it is very difficult to give a precise date on this. Shortly, probably within the next 2 weeks, we will be forwarding to the various agencies some results of supply requirements studies which we have made, and asking the agencies to convert that information into their estimates of stockpile requirements.

The CHAIRMAN. Will you yield and then you can resume?

Mr. WHITE. I yield.

The CHAIRMAN. The Rules Committee will have a hearing in about 8 minutes on a bill that we are interested in and I will have to leave. I wonder if we could have an understanding that we would have a vote on this bill at a certain time. Do you want to have further discussion? Suppose we agree to have a vote at 11:45?

Mr. BROCK. I am delighted that we can go ahead and have a vote. But I have two amendments and it may take some discussion time. I think we can begin consideration of this.

The CHAIRMAN. Perhaps we could fix the time at 11:40 to start consideration of the amendment and try to vote before 12 o'clock.

Mr. BROCK. We will try to vote.

The CHAIRMAN. We will have an executive session at 11:40, is that correct? All right, without objection, we will do that. You may proceed.

(The chairman left the hearing and Mr. Multer assumed the Chair.)

Mr. WHITE. I may say, Mr. Chairman, it is important we bring forth in these hearings any references to nuclear war objectives because I believe this is most important and it is my impression at the present time that no one in the Office of Emergency Planning has any figures in this area or do they have any idea when these figures may be available. I would admonish OEP to get on with it as fast as you can.

I would like to ask Mr. Bryant a question. Do you believe that stockpiles should be sold to reduce the debt just for the conversion of stockpiles into money for covering into the Treasury's miscellaneous receipts? Do you think that is the main purpose of stockpiles?

Mr. BRYANT. No; it is not the main purpose of stockpiles.

Mr. WHITE. What is the main purpose of stockpiles?

Mr. BRYANT. To provide us the materials necessary for the sinews to meet the emergencies that we must be prepared for.

Mr. WHITE. Do you not think that we should have the objectives clearly defined before we go ahead with disposals for the conversion to money?

Mr. BRYANT. Well, Mr. Congressman——

Mr. WHITE. In other words, before we convert any stockpiles into cash, we should have clearly defined objectives for both conventional and nuclear war; should we not?

Mr. BRYANT. Well, we can't stop.

Mr. WHITE. What can you not stop?

Mr. BRYANT. You can't stop operating. We can't stop functioning, waiting for objectives to be set.

Mr. WHITE. You can provide for the national defense in both these instances and it is not you who should be doing it?

Mr. BRYANT. We should be providing for the national defense.

Mr. WHITE. All right. Now, I would like to further follow the copper disposals. The objective is 775,000 tons of copper for conventional war. Now, in this area are you not including the possibility of acquiring these metals from other areas than the domestic production in the United States?

Mr. BRYANT. Other areas other than domestic production? Only from normal sources of Chilean production.

Mr. WHITE. What guarantee do we have in a conventional war or nuclear war attack that these supplies will be available to us?

Mr. BELSLEY. The present conventional war stockpile objectives have been established on an assumption that, in an emergency, supplies will not be available to us from countries other than those contiguous to the United States and in the Caribbean area.

Mr. WHITE. Is Chile adjacent to the United States?

Mr. BELSLEY. No; it is not.

Mr. WHITE. Is Peru adjacent to the United States?

Mr. BELSLEY. It is not.

Mr. WHITE. What assurance do you have that the production will be made available to the United States?

Mr. BELSLEY. There is an assumption in the present conventional war stockpiling objectives that it will not be made available and the objectives were made on that basis.

Mr. WHITE. That it will not be made available?

Mr. BELSLEY. In other words, the domestic production plus production in adjacent countries would be sufficient, together with the stockpile objectives, for the national needs under a conventional war. Adjacent countries including Canada, Mexico.

Mr. WHITE. Which are adjacent and contiguous to the United States?

Mr. BELSLEY. And the Caribbean area.

Mr. BRYANT. Caribbean generally is included.

Mr. WHITE. I would like to go further. Why have you felt we could go 365,000 tons below the national objective, and I would also

like to know where the residual amount of the November release of 200,000 tons of copper went beyond the 40 percent that went into the Department of Defense uses? Does anyone know where that other 60 percent went? I would make a request, Mr. Chairman, and for the record, with regard to the additional 60 percent of the release in November of 200,000 tons of copper, where that copper ultimately was disposed of.

Mr. BELSLEY. Mr. Bertsch of the Department of Commerce can respond.

Mr. BERTSCH. The 60 percent that was distributed out of the 200,000 tons was distributed, as you know, on a hardship basis and information concerning that distribution was transmitted to the Office of Emergency Planning some time ago.

Mr. WHITE. I still would ask that that information be made a part of this record.

Mr. MULTER. It will be made a part of the record.

(The information requested follows:)

On February 18, 1966, the Secretary of Commerce included the following statements and attachments in a report to the Office of Emergency Planning:

The Department announced on November 24, 1965, that in order to expedite defense orders on which deliveries are delayed due to the nonavailability of copper, contractors with such orders should file Form BDSAF-138: Request for Priorities Assistance, with the Copper Division. On November 26, this Department announced the availability of Form BDSAF-711A: Application for Authority To Purchase Refined Copper From National Stockpile Inventories. The press releases pertaining to these announcements are enclosed. The Copper Division sent the initial authorizations to GSA on December 13, 1965.

The applicants certified their first quarter 1966 requirements for both defense and nondefense business. BDSA then screened the applicants' requirements and determined the appropriate company allotments by giving full recognition to defense-rated orders and due consideration to hardship needs and to small business.

As of December 31, 1965, 362 applications had been received. Of these, 328 were classified as eligible and were granted allotments. The remaining 34 applicants were determined not to be consumers of copper raw materials and therefore ineligible for allotments. The GSA was authorized to sell 95.7 percent of the available supply in the first quarter 1966. In addition, 1.2 percent of the supply was allotted to cover December 1965 defense requirements. Approximately 3 percent of the supply was held in reserve to meet contingencies.

Of the material allotted for the first quarter 1966, 39.8 percent was restricted to use on defense-rated orders only. The remaining 60.2 percent was allotted to help alleviate hardship. Of the total amount allocated (387,620,000 pounds) including the December 1965 allotments, 157,149,000 pounds or 40.5 percent were designated for use on authorized controlled material (defense) orders only.

Enclosed is a table, Summary of Applications for Authority To Purchase Refined Copper From National Stockpile Inventories and Allotments for First Quarter 1966, as of December 31, 1965. This table shows the request, screened requirements, and allotments for military and hardship purposes, by type of refined copper and by type and size of applicant.

PLANS FOR DISTRIBUTING STOCKPILE COPPER ANNOUNCED

[For immediate release, Wednesday, November 24, 1965]

Plans to begin distribution of 200,000 short tons of national stockpile refined copper to producers of copper-base-controlled materials were announced today by the U.S. Department of Commerce. One hundred fourteen thousand tons

of fire-refined copper, 80,000 tons of electrolytic cathodes, and 6,000 tons of Lake ingot are being released from the national stockpile for purposes of the common defense.

To expedite defense orders on which deliveries are delayed due to the nonavailability of copper, contractors with such defense orders are instructed to complete form BDSAF-138: Request for Priorities Assistance, and file with appropriate office of the Department of Defense in accordance with existing instructions and procedures. In completing section 11 on the form, the applicant should limit his request to copper-controlled materials scheduled to be delivered during the balance of calendar year 1965 and the first quarter, 1966.

Upon approval by the Commerce Department's Business and Defense Services Administration, refined copper will be released immediately from the national stockpile to producers of copper-controlled materials who are identified on the form BDSAF-138 as suppliers.

Within a few days BDSA will announce details for distributing the balance of the 200,000 short tons of stockpile copper remaining after requests for priorities assistance have been met.

APPLICATION FORMS BDSAF-711A AVAILABLE FOR STOCKPILE COPPER

[For immediate release, Friday, November 26, 1965]

Applications to purchase refined copper released from Government stockpiles must be filed by December 7, the U.S. Department of Commerce said today.

The Department announced that application form BDSAF-711A, for use by producers of copper-controlled materials, is now available from Department field offices or from the Copper Division, Business and Defense Services Administration (BDSA), Washington, D.C., 20230.

About 200,000 short tons of refined copper (electrolytic cathodes, fire refined, and Lake ingot) are being released to assist defense production and to alleviate hardship due to the shortage of copper in domestic consuming industries arising from defense activities.

Today's announcement supplements one made Wednesday, November 24, concerning requests for priority assistance by defense contractors for whom deliveries of copper controlled materials are delayed due to the shortage of copper. Refined copper released from the national stockpile inventories to expedite deliveries on defense orders, in response to applications on form BDSAF-138, will be deducted from defense requirements of applicants who file on form BDSAF-711A.

Sales will be made by General Services Administration (GSA) according to instructions from BDSA. BDSA will approve applications on the basis of defense and hardship needs as demonstrated by brass mills, wire mills, foundries, and other consumers of copper raw materials, which file formal applications for authority to purchase refined copper released from national stockpile inventories.

The copper will be sold for domestic consumption only, with due consideration for small businesses. Sales will be made at current domestic market prices on the day of sale, as determined by GSA. The refined copper will be sold in minimum quantities of 20,000 pounds.

The sales were authorized by President Johnson on November 17 for the purposes of the common defense.

STOCKPILE COPPER ALLOCATIONS COMPLETED

[For immediate release, Monday, January 17, 1966]

The U.S. Department of Commerce announced today that 97 percent of the 200,000 short tons of copper released from the Government stockpile last November had been allocated to consumers of copper raw materials by the end of December.

The undistributed amount is being held for necessary adjustments and urgent defense priority assistance cases, the Department's Business and Defense Services Administration reported.

32 EXTENSION OF THE DEFENSE PRODUCTION ACT OF 1950

BDSA said 328 companies were authorized to purchase copper from stockpile inventories. Of the total amount allocated—387,620,000 pounds—157,063,000 pounds, or 40.5 percent, were designated for use on authorized controlled material (defense) orders only.

The type and number of applicant companies, and the poundages authorized for the three types of refined copper are listed below:

Type	Number	Types of refined copper (thousands of pounds)			
		Electrolytic cathodes	Fire refined	Lake ingot	Total
Brass mills.....	57	10,952	193,882	5,335	210,169
Wire mills.....	152	136,916	-----	236	137,152
Foundries.....	56	569	6,899	4,421	11,889
Ingot makers.....	19	40	13,489	820	14,349
Powder mills.....	8	78	3,237	184	3,499
Other consumers.....	36	5,203	5,319	40	10,562
Total.....	328	153,758	222,826	11,036	387,620
Supply.....	-----	160,000	228,000	12,000	400,000
Undistributed.....	-----	6,242	5,174	964	12,380

Summary of applications for authority to purchase refined copper from national stockpile inventories and allotments for 1st quarter, 1966, as of Dec. 31, 1965

	Requests				Military requirements	Screened requirements					
	Number of cases	Cathode	Fire refined	Lake		Total	Military	Hardship		Total	
								Cathode	Fire		Lake
Brass mills: Small Large Total	30 27	36,576 164,026	38,331 240,823	6,764 10,363	81,670 413,232	16,992 68,826	16,793 63,768	8,690 12,642	25,717 211,066	2,816 9,018	54,016 296,624
	57	200,601	279,154	17,147	498,902	85,818	80,561	21,332	236,813	11,834	350,540
Wire mills: Small Large Total	111 41	68,298 365,564	593 2,000		68,891 367,564	11,492 48,964	11,854 47,707	25,622 173,294	320		37,796 220,941
	152	433,862	2,593		436,455	60,456	59,561	198,856	320		258,737
Foundries: Small Large Total	52 4	4,766 308	9,602 229	2,421 623	16,789 1,160	8,138 1,078	8,034 1,068	587	2,856 160	945	12,422 1,238
	56	5,074	9,831	3,044	17,949	9,216	9,122	587	3,006	945	13,660
Ingot makers: Small Large Total	18 1	15,920	9,190 216	1,300	26,410 216	4,500		40	24,506	800 20	25,346 20
	19	15,920	9,406	1,300	26,626	4,500		40	24,506	820	25,366
Powder mills: Small Large Total	7 1	320	4,069 300		4,389 400	1,500	1,900	181	2,403 300	84 100	4,568 400
	8	320	4,369	100	4,789	1,500	1,900	181	2,703	184	4,968
Miscellaneous users: Small Large Total	26 10	3,114 24,240	5,824 5,817	5	8,643 30,057	607 4,573	284 1,065	383 12,317	6,348 2,239	20	7,035 15,641
	36	27,354	11,641	5	38,700	5,180	1,369	12,700	8,587	20	22,676
Total: Small Large Total	244 84	128,993 554,138	67,309 249,385	10,490 11,106	206,792 799,145	43,229 123,441	38,865 113,648	35,503 198,193	62,150 213,785	4,665 9,138	141,183 534,764
	328	683,131	316,694	21,596	1,021,421	166,670	152,513	233,696	275,935	13,803	675,947

Summary of applications for authority to purchase refined copper from national stockpile inventories and allotments for 1st quarter, 1966, as of Dec. 31, 1966—Continued

	Allotments											
	Military				Hardship				Grand total			
	Cathode	Fire	Lake	Total	Cathode	Fire	Lake	Total	Cathode	Fire	Lake	Total
Brass mills:												
Small.....	928	15,615	250	16,793	4,546	14,102	1,816	20,464	5,474	29,717	2,066	37,257
Large.....	1,628	62,140		63,768	3,850	97,409	3,269	104,528	5,478	159,549	3,269	168,296
Total.....	2,556	77,755	250	80,561	8,396	111,511	5,085	124,992	10,952	189,266	5,335	205,553
Wire mills:												
Small.....	11,854			11,854	11,231		236	11,467	23,085		236	23,321
Large.....	47,707			47,707	66,104			66,104	113,811			113,811
Total.....	59,561			59,561	77,335		236	77,571	136,896		236	137,132
Foundries:												
Small.....	305	4,759	2,970	8,034	264	1,485	951	2,700	569	6,244	3,921	10,734
Large.....		588	500	1,088		67		67		655	500	1,155
Total.....	305	5,347	3,470	9,122	264	1,552	951	2,767	569	6,899	4,421	11,889
Ingot makers:												
Small.....												
Large.....					40	13,489	800	14,329	40	13,489	800	14,329
Total.....					40	13,489	820	14,349	40	13,489	820	14,349
Powder mills:												
Small.....		1,900		1,900	78	1,202	84	1,364	78	3,102	84	3,264
Large.....						135	100	1,235		135	100	235
Total.....		1,900		1,900	78	1,337	184	1,599	78	3,237	184	3,499

Mr. WHITE. On or about the 3d day of March, the question was asked if any additional disposals of stockpiles of copper were contemplated. At that time the answer was "No." Yet, on March 21, an additional 200,000 tons of copper was authorized for disposal from the stockpile. I have had a little difficulty reconciling the answers at that time and the actual action that was taken and why the Office of Emergency Planning, at that time, was not able to give an answer that would indicate a disposal was contemplated that was culminated 2 weeks later. Can you explain that situation to me, please?

Mr. BELSLEY. Congressman, I think it is fair to say nobody here at this table—I suppose nobody in this room—was involved in some of the discussions that apparently did take place. But let me try.

Mr. WHITE. It would seem the Office of Emergency Planning should be included in and know what is going on, that 2 weeks prior to the release the answer was given conclusively, we have no plans for further disposals of copper.

I would also like to know what plans are made for the disposal of this copper, what area it is going into.

Mr. BELSLEY. May I try to meet your point?

First, let it be made clear, Governor Bryant was not on board at that time. The rest of us were not in position to be in the discussions that were taking place. Let me try to clarify it, as far as I am aware.

The statement to which you referred was made on March 3. The decisions were apparently made to dispose of copper in the period around March 16, at which time the Acting Chairman of the Council of Economic Advisers proposed that a disposal be made of stockpile copper because of the very tight and critical situation in the copper market. He was supported in this by the Secretaries of State, Treasury, and Commerce and by the Acting Secretary of Defense. The Attorney General was requested, apparently, for a decision on whether a disposal by the President would meet the criteria of section 5 of the Strategic and Critical Materials Stock Piling Act.

The Attorney General's answer was in the affirmative, as it had been with respect to the previous November 1965 release.

It was on March 21 that the decision was finally made by the President, based upon a March 17 recommendation which was made by the Acting Director of the Office of Emergency Planning. The President acted on that recommendation which had been based on the recommendations of the others that I mentioned. So that as I look at the record, the decisions seem to have been made around the middle—around the Ides of March—

Mr. WHITE. Well, I want to thank you for your answer. I still would like to have one other question answered.

What justification do you have for disposals of copper below the national stockpile objective? And I might say, putting it into areas other than national defense?

Mr. BELSLEY. Just so there is no misunderstanding—I made it clear, I thought, that the copper disposals you mentioned were made from the strategic and critical materials stockpile and not from the Defense Production Act inventory, which is provided for by the Defense Production Act under consideration today. Section 5 of the Strategic and Critical Materials Stock Piling Act, authorizes the President to make disposals when he considers this advisable for the common defense, and he made that finding.

Mr. WHITE. I always feel a little sorry for the President when the President makes a decision, he makes it on the recommendations of people like yourself rather than on his own information.

One last thing I would like to bring out in testimony here and with respect to these hearings.

You allude to the fact that we are going to expand the domestic production by getting into—entering into contracts with domestic producers. Just where will this additional production come from; the domestic mining industry in the United States if you enter into these contracts?

Mr. BELSLEY. We are not sure where this will come from. There has been no formal request to copper producers to come forward with proposals, but such requests will be made. Some have already come forward, however, on their own, and Congressman, one of them is in Idaho.

Mr. WHITE. This is a very small part of the total production and I would like to leave an idea with you people. You do not turn a mine on and off within 10 minutes of the time you need the material. We need domestic mining industries that can continue to supply our needs and it should be one of the purposes of this office to see that this happens. Sometimes from the past testimony before the Mines and Mining Subcommittee I think that you minimize this particular operation. Thank you.

Mr. MULTER. Mr. Gonzalez.

Mr. GONZALEZ. I was delighted to hear Mr. Bryant state that he was very much in favor of doing something to prevent profiteering during this period and just less than a week ago I was pushing very hard for the refurbishing, so to speak, of the Contract Renegotiations Board which has been, for all intents and purposes, practically dismantled since Korea. Now, this Board, even with very inadequate resources the last year, in its report found that an excess of \$16 million in profiteering had been ascertained and these excess profits had been refunded. With Congress overwhelmingly and preponderantly appropriating additional moneys almost, if not actually, at the level of the Korean conflict, it would seem to me that the least we could do would be to reconstitute the Contract Renegotiations Board. I was glad to see that you favored such a move. Is there anything you can do from your position to further this?

Mr. BRYANT. Of course, it would lie within the purview of this organization if we were instructed to determine if it is needed to be planned for in an emergency. However, it is not currently within our responsibility and we are, at this time, doing nothing in that direction of which I know.

Mr. GONZALEZ. Do you not feel it is time we do it? Do you personally feel it is time we should be looking into this?

Mr. BRYANT. Congressman, I would have to familiarize myself first of all with the existing operations before I could form a judgment as to whether additional activity would be required. I simply don't have that personal knowledge.

Mr. GONZALEZ. I have been very much perturbed and I am quite disturbed, and, as I said, less than 10 days ago, I came out strongly that we reconstitute this Board. This was a Board that during the Korean conflict arrived at several billion dollars worth of excess profiteering that was returned to the American public. Even with a

skeleton crew, they discovered all that \$16 million last year and this seems to me a proper time to look into this.

I would appreciate a real intensive effort on your part. In fact, I am currently studying and drafting legislation to bring this about, at least introduce a bill.

Mr. BRYANT. We will be glad to look at that.

Mr. GONZALEZ. I will really appreciate that, Director. I feel that it is time we did.

The Defense Production Act of 1950—I notice here in section 2 of the declaration of policy that in order to insure productive capacity in the event of such attack on the United States, it is the policy of the Congress to encourage the geographical dispersal of the industrial facilities of the United States. I do not know if anything has been done along that line. Apparently in 1950 this was a present and clear danger, and recently when we had the power failure—we had a sharp awakening that maybe here we have been talking about stockpile production, but maybe with the cessation of power, we would not have anything to produce in order to stockpile. Is there anything that is being done along that line?

Mr. BRYANT. I think there is very little being done along that line. That is my information.

Mr. GONZALEZ. Is there anything that can be done to stimulate activity along this channel from your standpoint, from your agency's standpoint? I am not asking this other than in a friendly way. I know you are limited and I know you are doing the best you can and, in my opinion, admirably well, but these are questions that are of great concern to some of us in here in the Congress, if not to every one of the Congressmen.

Mr. BRYANT. Congressman, certainly the instructions of section 2 are that this be done. It would have to be done through tax incentives, through subsidization, through procurement contracts, directed in particular areas. All these things might be done. However, this could be a very disruptive, as well as beneficial process, and we have not, up to this time, made the studies necessary to permit a sensible program of this kind. It would certainly not be something that you would want to do without a thorough understanding of what you are about.

Mr. GONZALEZ. Would you be in the position to look into this and study it, if nothing else, under your present budgetary allocation? Would Congress have to be a little more generous in this direction, or are you limited now, or able to do it now?

Mr. BRYANT. I think we would not have either the staff or the money. One of the things that I am trying to do is to analyze our own operation to determine whether we have what we ought to have to do what we are supposed to be doing, and my only conclusion is that we are not yet equipped, and are not yet doing all that might be done under the charges you have laid before us.

Mr. GONZALEZ. This is so very, very disturbing because if we are risking—and the risks, apparently, according to all estimates are ever-present—a conflagration that will spread beyond our ability to control, if we do not even have the minimal framework within which to control excess profiteering, the avoidance of another emergency such as a power failure and constant interruption in production, then I think

this is a large, more than just disturbing, it is a very large thing, and it is very alarming.

Thank you very much.

Mr. MULTER. Mr. Weltner.

Mr. WELTNER. I would like to return to the discussion concerning the sale of copper stocks. Perhaps you or a member of the staff can clear up a few questions I have about that. Do I understand that the Defense Production Act itself is not the legislation under which the recent copper sale was made?

Mr. BRYANT. That's correct.

Mr. WELTNER. What is the name of that act?

Mr. BELSLEY. Strategic and Critical Materials Stock Piling Act.

Mr. WELTNER. As provided in that act, what are the legal standards for disposition?

Mr. BELSLEY. Section 5 of that act provides that the President may release material from that stockpile when in his judgment that such a release is required for purposes of the common defense.

Mr. WELTNER. "For the common defense." Is that the specific language?

Mr. BELSLEY. That is correct.

Mr. WELTNER. On the finding that such release is "for the common defense"?

Mr. BELSLEY. That is correct.

Mr. WELTNER. Under those circumstances, and only under those circumstances, can material such as this be released?

Mr. BELSLEY. That's correct, other than by congressional approval.

Mr. WELTNER. Now, what part does your agency have in making recommendations to the President with regard to such releases?

Mr. BELSLEY. By the President? Using the recent release of 200,000 tons as an example?

Mr. WELTNER. Yes.

Mr. BELSLEY. Well, as was pointed out to Congressman White, the recommendation for that was made initially by the Council of Economic Advisers.

Mr. WELTNER. They do not have the authority.

Mr. BELSLEY. No, they do not. They had some arguments.

Mr. WELTNER. You have the authority, have you not?

Mr. BELSLEY. OEP makes a recommendation to the President. Of course the President could act without a recommendation from OEP. He does not require a recommendation.

Mr. WELTNER. Was it not the recommendation from the Office of Emergency Planning that this copper be released?

Mr. BELSLEY. Yes, the Acting Director, after receiving and considering the recommendations of the Council of Economic Advisers and the four Secretaries and the opinion of the Attorney General as to its legality recommended to the President that the release be made; he concurred in the recommendations of the others.

Mr. WELTNER. But the impetus for the whole matter came from the Council of Economic Advisers. It seems strange to me that the Council of Economic Advisers would be the vehicle for setting in motion an action that is statutorily limited to the common defense. That is not their job. How is it that the Council of Economic Advisers is in a position to determine strategic materials and their necessity in relation to the common defense?

Mr. BELSLEY. As you pointed out, they did not determine it. They made an initial recommendation, and presented arguments on behalf of it. I would assume these arguments were somewhat persuasive with the four Secretaries. That is the only thing that I can say.

Mr. WELTNER. Is it not true that this does not have anything to do with common defense, except insofar as the common defense is based upon the soundest health of the economy and the shortage of important materials and that alone was the justification for this release?

Mr. BELSLEY. I think this may have been somewhat persuasive with the Council. On the other hand, I will ask you, who am I to question the President of the United States' finding that this was for the common defense?

Mr. WELTNER. I am not talking about the President's findings. I am talking about the recommendation of your agency.

Mr. BELSLEY. The Acting Director concluded, based on recommendations of others I mentioned, that this was for purposes of the common defense. And he based this in large part upon the finding of the Attorney General that the situation as described by the Council of Economic Advisers and the four Secretaries supported it.

Mr. WELTNER. Do you consider that to be in the common defense, to reduce the stockpile below the level of need for defense production in order to meet an economic situation?

Mr. BELSLEY. I think the President found this was needed.

Mr. WELTNER. I am not asking you about the President. I am asking about this agency.

Mr. BELSLEY. I think the Acting Director of the agency found this to be so and——

Mr. WELTNER. I am asking your opinion. The Acting Director is not here, is that correct?

Mr. BRYANT. He is not here now in this room.

Mr. WELTNER. We do not have the benefit of his opinion. I am asking your opinion as the one who has been for some time in this agency.

Mr. BELSLEY. I hesitate to speak for him; he acted on his own authority. I think he acted on the grounds of two things—quite apart from what may go directly to defense rated orders, there were two other things. I think these influenced him. One, that in any plant that is producing defense rated orders, you may find that a relatively small percentage of the output goes to such defense rated orders. This may vary from a low percent to a high percent, but the plant remains in being and in operation as a strong facility because of its other activities and if it draws upon copper for its other activities as well as for its defense rated orders and must have the copper to keep those activities going, then it will need copper in order to keep the plant going. That means it will need copper for its general business, otherwise it isn't in business and producing for its defense rated orders. But there is another one. The argument that was advanced by the Council of Economic Advisers and concurred in by the four Secretaries was that the strength of the United States is in a viable, lively, strong economy, and to permit it to deteriorate or not to have that viability because of the lack of copper was a doubtful point; therefore it was arguable that the release should be made.

I want to emphasize that I hesitate to speak for the Acting Director. But I have a hunch that these factors may have entered his mind. In the recommendation he made to the President, I think he mentioned some of these points.

Mr. WELTNER. I am not concerned with the opinion of the President of the United States—what is your opinion? Is it in the common defense to put copper on the market in such a manner as to reduce the stockpile below the critical material requirement level? I would like your opinion on that.

Mr. BELSLEY. I think it is correct, the Attorney General did, after looking at all these points—

Mr. WELTNER. I am not concerned with the Attorney General.

Mr. BELSLEY. He considered it was in the common defense and I think that is the basis on which the Acting Director acted.

Mr. WELTNER. Let me repeat my question. I have been trying assiduously to develop your opinion on that matter. You told me what the Attorney General's opinion is and many other opinions. I would like to know what your opinion is.

In your opinion, is it appropriate to reduce copper stockpiles below the level required for defense needs in order to meet an economic situation?

Mr. TALCOTT. We cannot hear the answer.

Mr. MULTER. He has not given the answer.

Mr. BRYANT. Mr. Belsley of course was not the one to make a decision on this and I don't even know that he has reached a conclusion on it himself. This was a question as to whether or not it was in the common defense. It has been decided that it is in the common defense and that is for this agency the conclusion of the matter.

Mr. WELTNER. Governor, bear in mind that I understand you have been here only a short time. I welcome the appearance on the scene of a southern man of tested abilities. It seems to me that you and your staff are extremely reluctant to express an opinion on a very important matter. I know Mr. Belsley did not make the decision. I know the President made the decision. But if we had an act of Congress that specifies those conditions under which materials can be released and there is a responsibility to make recommendations from your agency, it seems to me like somebody in your agency should be willing to express an opinion of this one matter.

Mr. BRYANT. There is of course, and Mr. Dryden, who was the Acting Director at that time, and it was his opinion that this was in the common defense and I believe it was for the reasons that had been cited by Mr. Belsley.

Mr. WELTNER. Nobody at your table there is willing to say that that opinion is concurred in.

Mr. BRYANT. I am sure as on many other matters there are opinions.

Mr. MERKER. The legal question involved was whether this could be supported as an action in the common defense. I concur completely in that opinion.

Mr. WELTNER. That still is not my question.

Mr. MULTER. Mr. Brock?

Mr. BROCK. Can I ask a question?

Did I understand one of you gentlemen to say when it is in the common defense then the President can make a finding that it is in the

common defense and you can release material from the critical stockpile? Is that correct?

Mr. MERKER. Yes, sir.

Mr. BROCK. I thought the primary responsibility for allowing the stockpile, the critical stockpile, to fall below the minimum rests with the Congress of the United States. What exemption does there exist to that authority?

Mr. BRYANT. The problem you are thinking about there—you are thinking about the Defense Production Act, I believe.

Mr. BROCK. I am talking about the Critical Stockpile Act.

Mr. BELSLEY. Congressman, I pointed out, I think, that section 5 of that act authorizes the President to make a release on his own if he finds that the release is in the common defense.

Mr. BROCK. Is there any other criterion?

Mr. BELSLEY. No, sir. I will have to yield to Mr. Merker.

Mr. MERKER. I don't have the statute in front of me, but it is my recollection that it has to be in the common defense. Those two words are in the statute.

Mr. BROCK. That is all.

Mr. MERKER. Yes, sir.

Mr. WHITE. Will the gentleman yield at that point? I would like to ask Mr. Bryant a question. In the 60 percent that was released outside of the set-aside area that went to national defense, did any of this copper go to industry where they were not producing materials of a national defense nature?

Mr. BERTSCH. You are speaking of the 60 percent that went to hardship cases, I take it.

Mr. WHITE. Yes, I am.

Mr. BERTSCH. There were 172 distributions to people producing for defense purposes out of a total, I believe, of 312 or so companies that received copper out of the 200,000 tons.

Mr. WHITE. The copper fabricating companies were not producing items for national defense, is that correct, strictly speaking?

Mr. BERTSCH. They could have been, Mr. White.

Mr. WHITE. Are they or are they not?

Mr. BERTSCH. Some were and some weren't.

Mr. WHITE. How many were not?

Mr. BERTSCH. As I say, we distributed to 172 who were those who came in with statements that they had priority rated orders for defense. The remainder, and including some who received defense-rated copper were distributed copper on the basis of hardship.

Mr. WHITE. But they were not producing copper—they were not producing items that were solely classified as priority defense items, is that correct?

Mr. BERTSCH. For that portion of the copper that was distributed for hardship companies it did not relate to defense line.

Mr. WHITE. Now, the 200,000 tons that were authorized for release on March 21, have you any idea what distribution will be made of that copper and what areas it will go into?

Mr. BERTSCH. We have no instructions concerning the distribution of that copper, but we are conferring with the Office of Emergency Planning and other Government departments to ascertain the method of distribution.

Mr. WHITE. This Office of Emergency Planning?

Mr. MULTER. Mr. White, we are not being fair to the other members of the committee. You took much more than your 5 minutes. There are at least eight other members who have not been recognized. We would like to give every member an opportunity to ask questions.

Mr. WHITE. Then, Mr. Chairman, I think we should go ahead with this hearing.

Mr. MULTER. We will go through with it until 12 o'clock and later if no one objects.

Mr. WHITE. I would like to ask one last question if I may, Mr. Chairman.

In the Office of Emergency Planning is there anyone who has any idea where this copper is going at the present time?

Mr. BRYANT. I think not at this time.

Mr. MULTER. Mr. Mize?

Mr. MIZE. Mr. Chairman, I want to pursue a little bit Mr. Brock's point.

I want to quote from the Joint Committee Annual Report, 1959, and I quote, "The Joint Committee on Defense Production continues to believe that purchases of materials for both the Defense Production Act inventory and the stockpile should be limited to defense need and that it is not the purpose of these programs to regulate prices or to solve economic problems."

In the 1963 annual report, page 25, the Joint Committee stressed that the defense stockpiles should be used for national emergencies. I quote, "The purpose and intent of the act, and the stated policy of Congress, was to provide for the acquisition of stocks and of these essential defense materials and to encourage the development of mines and the deposits of these materials within the United States, and thereby increase and prevent wherever possible a dangerous and costly dependence of the United States upon foreign nations for supplies of these materials in times of national emergency."

Some of us feel that the Defense Production Act should be amended to prevent the President from using his authority under the act as an economic weapon—to enforce artificial price levels, or to control arbitrarily supplies used in civilian production. Some of us feel that this is the use to which aluminum stockpiles were put last November in forcing aluminum companies to rescind price increases.

Now, this would appear contrary to the intent of Congress in passing and in overseeing the executive's activities under this act.

Would you care to comment on that?

Mr. BRYANT. Only to this extent, sir. The utilization of these authorities for the common defense cannot be defined strictly in terms of release of a material to build a gun or a particular machine. The authority of the President has to be more flexible than that.

I understand—it is my understanding that this authority was exercised for the common defense and therefore that it was appropriate to do so. Of course, there are many more things to the common defense than just the production of a gun that you are going to shoot or a bullet that is going to be exploded, and I would certainly hesitate to see the Congress put a definitive and artificial limit on the exercise of that authority by the President.

Mr. MIZE. Do you think an amendment of the act to prohibit sales of purchases of stocks for purposes other than those directly related to national defense needs would be unwise or unnecessary?

Mr. BELSLEY. Congressman, the Defense Production Act provides that the material that is acquired under it is for Government use or resale. It is unlike the provisions of the national stockpile, which was established as a result of the Strategic and Critical Materials Stock Piling Act. It came into being at the time of Korea, at which time as you know, there were sizable acquisitions of strategic and critical materials. The Defense Production Act provisions were used extensively for that purpose. Some of the materials that were brought into production as a result of the use of the act went into the Defense Production Act inventory for use or resale. Some of them went directly to the business community and were not brought into the inventory at all. And yet, the production of them was encouraged through the various incentives provided in the act.

It would be very restrictive in any emergency, as it would have been in Korea, as it might be if we are faced with a much greater situation in southeast Asia than we are at the moment, to add any other provision to this. The intent was that the materials would be for Government use or resale—I repeat those words because they are very important.

Mr. MIZE. That is all.

Mr. TALCOTT. Mr. Chairman—

Mr. MULTER. One moment.

Mr. OTTINGER. Mr. Chairman, I was called out for part of this. But for the record, I would like to object to these proceedings on the ground that there was inadequate notice. Two weeks ago we were given notice that we were going to consider S. 2499 to amend the Small Business Act. Only the end of last week did we hear about consideration of H.R. 14025. I would like to know, how much notice did you, Mr. Bryant, have that these hearings were going to take place today?

Mr. BRYANT. When I reported for duty last Thursday there was a note on my desk that I should be here today. I believe that was it.

Mr. OTTINGER. You have not had adequate time to prepare yourself for this?

Mr. BRYANT. Our notice related to the Defense Production Act, the notice that I had which was informal and internal, and not to the Small Business Administration.

Mr. OTTINGER. All right.

Mr. TALCOTT. Will the gentleman yield? The bill was only introduced on March 28. I do not know how you could have had notice to testify on it last Thursday.

Mr. BRYANT. That is one of the mysteries of Congress, perhaps.

Mr. MULTER. I am sure the Governor can protect himself without any aid from the committee. I have not heard the Governor ask for any additional time nor has he suggested that we should not go on with the hearing.

Mr. TALCOTT. We should go on with the hearing probably past 12 o'clock and probably tomorrow.

Mr. MULTER. Every member will have an opportunity to ask questions and if no one objects we will go beyond noon today.

Mr. TALCOTT. Mr. Chairman, I have a minor question. I was trying to differentiate between the Defense Production Act and the Strategic and Critical Materials Stock Piling Act under which act I understood the copper was disposed.

Mr. BELSLEY. The 200,000 tons that the discussion has been about were released under provisions of the Strategic and Critical Materials Stock Piling Act.

Mr. TALCOTT. Does that act require congressional approval before it can be done?

Mr. BELSLEY. On an ordinary release the answer is "Yes." As I pointed out, section 5 of that act authorized the President to make the release on his own authority, if in his judgment such a release is for the common defense. It was under this provision of the act that he took the steps he did.

Mr. TALCOTT. And did the President indicate in his statement exercising his right under section 5—

Mr. BELSLEY. Yes.

Mr. TALCOTT. That it was done for the "common defense"?

Mr. BELSLEY. Yes.

Mr. TALCOTT. And was the copper actually disposed of to copper industries to be used in the common defense?

Mr. BELSLEY. Were you present when Mr. Bertsch spoke on that? I am not clear whether you were.

Mr. TALCOTT. I am not clear on some of the answers.

Mr. BERTSCH. Congressman, insofar as the distribution of copper was concerned, it was distributed for the common defense. Some of the copper went for direct defense requirements and some of it went for hardship cases. I think Mr. Belsley pointed out before that if we are interested in a viable industry—a viable industrial machinery in the United States, industry cannot exist solely on defense production. And since defense production only supports a certain portion of our industrial plant—the matter of common defense relates to the viability of our industrial production and plant and on this basis the distribution of 60 percent of the copper went for hardship cases and 40 percent for direct defense cases.

Mr. TALCOTT. Then, under your testimony, it would not be necessary to have a war, hot war or cold war or any other sort, to enable the President to exercise his prerogative under section 5?

Mr. BERTSCH. Apparently it is not.

Mr. TALCOTT. Then it is true that "common defense" could be a guise for any reason that he wanted.

Mr. BERTSCH. I didn't say any economic reason.

Mr. TALCOTT. Would you think that we need some clarifying amendment in this act, to clearly define the common defense?

Mr. BERTSCH. I don't believe so, Mr. Congressman. I think the President should have a reasonable amount of flexibility in meeting the needs of the Nation.

Mr. TALCOTT. But you would give this to him in time of peace and in time of war and for economic reasons as well as national defense reasons, I take it?

Mr. BERTSCH. Mr. Congressman, at the present time I think we are at war in Vietnam and this action takes cognizance of it.

Mr. TALCOTT. Was that the reason the President exercised his right, because of a war situation?

Mr. BERTSCH. I would probably think this is the dominant reason why he exercised his right. He had the right and he chose to exercise it.

Mr. TALCOTT. You said there was a 60-40 percent utilization of the copper between defense industries and nondefense industries. I take it you would permit a 99-to-1 percent disposal?

Mr. BERTSCH. The only reason the disposition was 60-40 is because the total number of requests that we received from direct defense users was 40 percent. Had we received 88 percent direct defense requirements—

Mr. TALCOTT. What if only 1 percent of the defense users needed copper?

Mr. BERTSCH. This is a rather theoretical question, but the answer would have to be the same if I were going to be consistent in my logic.

I can only raise a sort of corollary illustration by reminding the Congress and this committee that we have continued in effect over a period of some 16 years in the Defense Production Act which in the area of defense production required the set-aside of only, let us say, 2 or 3 percent of our total steel production but still we continued the mandatory terms of our priorities and allocation system in order to support that production. This is a fairly close corollary to the current action.

Mr. TALCOTT. Is there any further need for the Strategic and Critical Materials Stock Piling Act?

Mr. MULTER. That is not before us.

Mr. TALCOTT. I know.

Mr. BERTSCH. I don't think it is inconsistent to have it on the books—to have on the books the Strategic and Critical Materials Stock Piling Act and Defense Production Act. I think they both serve a purpose—although methods of administration and different types of action is taken under each.

Mr. TALCOTT. One was a circumvention of Congress and the other was not.

Mr. BERTSCH. I don't think the President's action was a circumvention of the Congress. I think his action under the Stock Piling Act was consistent with the intent of Congress.

Mr. TALCOTT. Should the President ever request Congress to release materials from the strategic stockpile?

Mr. BERTSCH. There are quite a number of bills before the Congress.

Mr. TALCOTT. But he did not do it in this case?

Mr. BERTSCH. He did not do it in this case.

Mr. MULTER. Has any Member of the Congress introduced any bill to take away—to take this away from him—to take away from him the power?

Mr. BERTSCH. None that I know of at this time.

Mr. TALCOTT. I yield to Mr. Brock.

Mr. BROCK. I am somewhat interested in the arguments of Governor Bryant and yourself concerning more flexibility of the President. The National Defense Act says, "to promote the national defense," and you, yourself, said the "common defense" is applicable in the critical materials bill. Both acts were passed, not by the President of the United States but by the Congress. The Congress said in 1959, "it is not the purpose of these programs to regulate prices." You have testified to the effect that a good 40 percent of this material went to nondefense users and frankly I am amazed that your use of the word "flexibility" includes a direct violation of the intent of this

Congress. It seems to me that you can better answer the questions which I asked.

Mr. MERKER. Mr. Brock, may I say respectfully to you that the common defense, where it is connected with the economy and the economy concerns the common defense, that it is legal to find that on that basis, the common defense requires certain actions be taken as a matter of law.

Mr. BROCK. It may be legal, but we set forth clearly in case after case of the committee reports that we do not intend under this act, either of these acts, for this agency to regulate prices or to solve economic problems. Let us be honest about it. That is exactly what this action was taken for.

Mr. MERKER. It was taken for the common defense.

Mr. BROCK. That is a very broad interpretation.

Mr. TALCOTT. Any material that is under the Stock Piling Act would be related to the common defense. You could put any material there and say it related to the common defense, could you not?

Mr. BRYANT. It would depend on the facts and circumstances and the President would have to make a determination. I think he would assume and I do assume that the President would not make such a determination unless he had, upon review of the evidence and the circumstances, concluded that this was so. So while it is open end in conception, nevertheless, it seems to me you have quite wisely given the President the authority to make a decision in this situation.

Mr. TALCOTT. Even if it has an adverse economic effect?

Mr. BRYANT. It is almost invariably true, you might hurt somebody, building a road or whatever you do.

(The chairman, Mr. Patman, resumed his seat as chairman.)

Mr. TALCOTT. Yes.

Mr. BRYANT. There might be some adverse effect.

Mr. MULTER. Mr. Chairman, I would like to make a statement for the record at this point.

Every Member of Congress has been charged with notice that this law expires on June 30, 1966, and that it must be extended. This bill, H.R. 14025, is exactly the same as H.R. 13014 introduced on February 13 by the chairman with the exception of the second section in H.R. 14025 which is merely a technical amendment so as to give the Congress the right to expend the moneys that are being expended now for the operation of the Committee on Joint Defense Production.

The CHAIRMAN. It would take care of the increased salaries voted by Congress.

Mr. MULTER. Precisely.

The CHAIRMAN. Can we agree when to vote on the bill now? Suppose we agree to meet tomorrow morning at 10 o'clock in executive session. Without objection, so ordered.

Mrs. SULLIVAN. Before we adjourn, Mr. Chairman, may I ask that Governor Bryant respond to the two questions that I submitted to him so that I may have an answer before tomorrow morning?

The CHAIRMAN. Can you do that, Governor Bryant?

Mr. BRYANT. We will give you an answer, the best answer we can at the time.

Mr. REUSS. Mr. Chairman, my questions to Governor Bryant were very much along the same lines as those of Mrs. Sullivan and I asked the staff to hand you a copy of the amendment that I prepared to reinstate the power in the executive area.

Mr. TALCOTT. Will these answers be provided to all the members?

The CHAIRMAN. Can you mimeograph the replies, Governor?

Mr. BRYANT. Congressman Reuss, your question is not susceptible to as quick an answer as hers—as Congresswoman Sullivan's.

Mr. REUSS. If you wish to suggest better language than the language already in the Defense Production Act, I would welcome it. But if you answer Mrs. Sullivan's questions, you will also be answering mine. The question very briefly is, Does the administration oppose having Congress empower it, if it wishes to use that power, to control consumer credit should consumer credit present an inflationary threat?

(This information may be found on p. 20)

The CHAIRMAN. Mr. Widnall?

Mr. WIDNALL. Unfortunately, I was unable to be present during the hearings earlier today. I have no questions at this time.

The CHAIRMAN. Mr. Stanton?

Mr. STANTON. My question to you is in light of so many members asking questions—would it be possible to delay this meeting tomorrow in order to give the gentlemen more time and give us an opportunity to possibly ask questions for the record?

The CHAIRMAN. Well we have another bill after this. You will be able to answer these by tomorrow morning, would you not, Mr. Bryant?

Mr. BRYANT. I will be able to give an answer.

The CHAIRMAN. All right.

Mr. TALCOTT. The bill that we are talking of, the act we are talking about does not expire until June 30.

The CHAIRMAN. But it must go through both Houses. There are a lot of things that have to be agreed to.

Mr. TALCOTT. It just has one provision extending the bill—extending it 4 years.

The CHAIRMAN. It is more than that. The deadline comes up before you know it and unless we make hay while the sun shines we will not get through in time.

Mr. TALCOTT. I am just trying to act in the best interest.

The CHAIRMAN. Anything else?

We will meet tomorrow morning at 10 o'clock in executive session.

(The following statement was submitted for the record:)

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D.C., March 30, 1966.

Hon. WRIGHT PATMAN,
Chairman, Committee on Banking and Currency,
Washington, D.C.

DEAR MR. PATMAN: The enclosed statement expresses the views of the Chamber of Commerce of the United States on the proposed extension of the Defense Production Act of 1950, as amended.

I respectfully request that your committee give its careful consideration to these recommendations and that the statement be made a part of the record of the committee's hearings.

Cordially,

DON A. GOODALL.

STATEMENT BY REUBEN D. SIVERSON¹ FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES

The Chamber of Commerce of the United States recommends extension, to June 30, 1968, of the Defense Production Act of 1950, as amended, which expires on June 30, 1966.

The national chamber recommends that H.R. 13014, under consideration by your committee, be amended to provide that before implementation of any plan recommended by the President for the disposal of surplus stockpile materials under the act, and after consultation with the industries involved, there must be congressional approval of the plan in the form of specific legislation. This provision, which would amend section 303(b) of the act, is consistent with the policy established in the Strategic and Critical Materials Stock Piling Act, Public Law 79-520. It is also in keeping with the position adopted by the membership of the national chamber in support of that policy.

A 2-year extension of the act is recommended, rather than a 4-year extension as proposed in H.R. 13014, in order to provide opportunity for more frequent review and evaluation of the act than would be possible under the longer period.

Extension of the Defense Production Act, which the national chamber has supported on six previous occasions, is essential because it provides the basic statutory authority to establish priorities for defense contracts; limited power to allocate materials for defense purposes; authority to guarantee certain loans made in connection with defense contracts; authority to make loans and purchases to build up our defense capacity and assure adequate supplies of defense materials; authority under which businessmen may cooperate voluntarily in meeting defense needs without violating antitrust laws; and provisions for establishment of a reserve of trained executives to fill Government positions in time of mobilization.

(Whereupon, at 12:10 p.m., the committee adjourned to reconvene subject to the call of the Chair.)

¹ Reuben D. Siverson, manager, defense-technology, Chamber of Commerce of the United States, Washington, D.C.

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